EDMONTON

A CAPITAL IDEA

THE CITY OF EDMONTON, ALBERTA, CANADA ANNUAL REPORT 2005

INTRODUCTORY INFORMATION

Edmonton Snapshot	4
Events: Live in the Capital	6
Economic Climate	8
Edmonton City Council Special Initiatives	12
Edmonton City Council Message	15
Political and Administrative Structure	16
City Manager Message	19
Leading with Vision	22
Edmonton: Innovative, Enlightened	24
Report From Corporate Services - Finance	28
Financial Statement Discussion & Analysis	29

FINANCIAL INFORMATION

Management's Report	40
Auditors' Report	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Financial Activities	43
Consolidated Statement of Changes in Financial Position	44
Schedule 1 — Operating Fund	45
Schedule 2 — Capital Fund	46
Schedule 3 — Reserve Fund	47
Notes to Consolidated Financial Statements	48

SCHEDULES AND STATISTICS

Statistical Review for the Years 2001 to 2005	65
Related Boards and Authorities	72

106-04540/

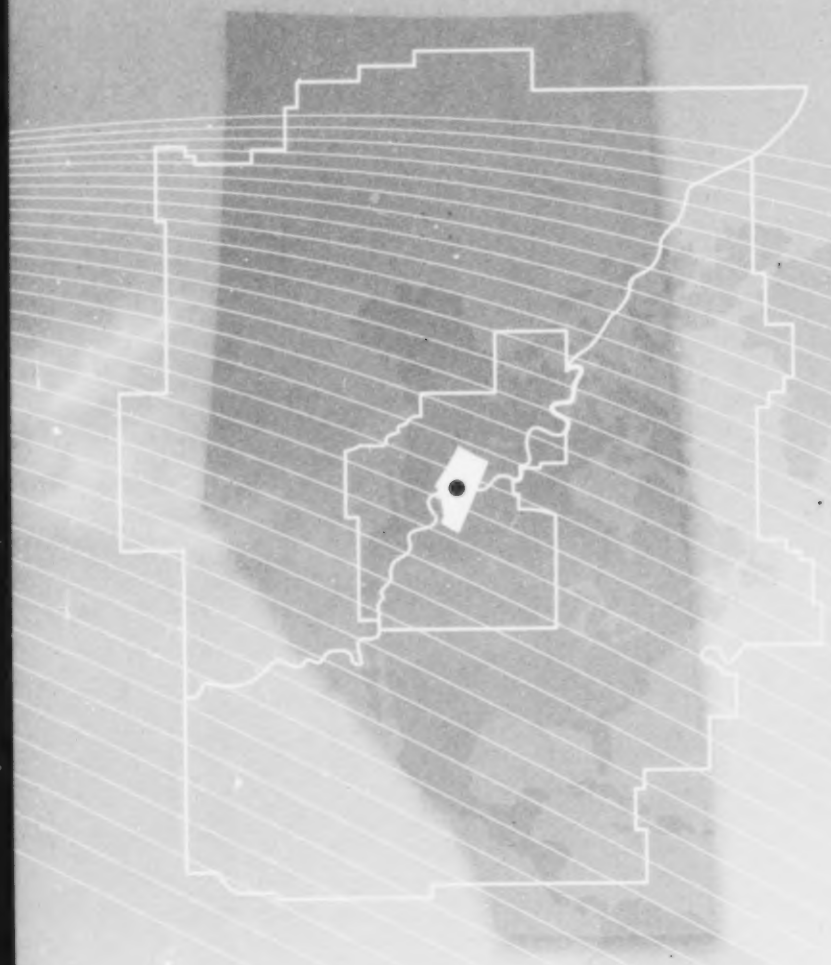
THE CITY OF EDMONTON, ALBERTA, CANADA ANNUAL REPORT 2005

OUR MISSION

THE CITY OF EDMONTON FOCUSES ON:

- the delivery of effective, efficient and citizen - oriented services;
- sound leadership and teamwork; and
- responsible use of resources (financial, people and assets).

Produced by the Corporate Services Department of the City of Edmonton
in cooperation with all civic departments, offices and agencies.

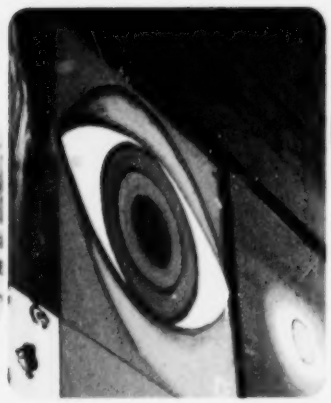


POPULATION
- EDMONTON: 712,391*
- METROPOLITAN: 1,008,000**

LAND AREA
- EDMONTON: 700 SQUARE KILOMETRES (69,980 HECTARES)
- METROPOLITAN: 9,537 SQUARE KILOMETRES

*based on 2005 City Census

**2005 estimate – Planning & Development



EDMONTON SNAPSHOT

LOOK ACROSS THE WIDE BANKS OF THE NORTH SASKATCHEWAN RIVER. THERE'S THE LEGISLATURE, ITS GRANDEUR PROCLAIMING OUR PLACE AS THE PROVINCE'S CAPITAL. THE HISTORIC HIGH LEVEL BRIDGE REMINDS US OF THE INDUSTRIAL HEART OF THE CITY AND OUR STRONG RESOURCE SECTOR. EAST TO WEST, THE RIVER STRETCHES THROUGH EDMONTON'S HISTORIC NEIGHBOURHOODS, PAST THE EXPANDING SHAW CONFERENCE CENTRE, THE WORLD-CLASS UNIVERSITY OF ALBERTA, THE RE-PROCLAIMED ROYAL ALBERTA MUSEUM WITH ITS NEW INFUSION OF CAPITAL FUNDING. ALONG THE 7400 HECTARES OF RIVER VALLEY TRAILS AND PARKS, THE CITY'S HEART IS REVEALED; EDMONTON'S CREATIVITY IS EVIDENT EVERYWHERE THROUGHOUT THE BOOMING CITY.

Edmonton has world-class venues for the arts, and we fill those venues with talented local and international artists and performers. Our downtown core boasts an arts district with premier venues including the Winspear Centre for Performing Arts; the Art Gallery of Alberta (formerly Edmonton Art Gallery), with its plans for a progressive new look; the Citadel Theatre and over 100 active arts and festival organizations funded by the Edmonton Arts Council. Edmonton talent, both emerging and established, is growing and enriching our community every day in Canada's Festival City.

It's no secret why Edmonton is considered such an attractive place to work and live. Edmonton ranks 37th of 354 major cities for overall quality of life (Places Rated Almanac); our Capital Health Authority is rated number one among the 57 largest regional health authorities in Canada (Maclean's, 2003); professors at the University of Alberta have won 23 prestigious 3M Teaching Fellowships, more than any other Canadian university; Edmontonians enjoy one of the lowest costs of living in North America, with no provincial sales tax, high personal incomes and modest housing prices.

Edmonton's river valley is the largest stretch of urban parkland in North America, with 22 major parks and over 150 kilometres of trail. Overall, the city boasts more greenery than any other city in Canada, and Edmontonians enjoy this natural splendor year-round. Citizens are also engaged in their community through competing and volunteering at major events like the 2005 World Master's Games.

EVENTS: LIVE IN THE CAPITAL

EDMONTON HAS DEVELOPED A WINNING FORMULA FOR HOSTING ARTS, SPORTING AND CULTURAL EVENTS: FIRST-CLASS VENUES, A STRONG VOLUNTEER BASE, AND A THRIVING LOCAL COMMUNITY THAT THROWS THEIR SUPPORT FULLFOLD BEHIND LOCAL FESTIVALS AND INTERNATIONAL COMPETITIONS ALIKE. ATTENDANCE NUMBERS AND TOURISM DOLLARS GENERATE INTERNATIONAL RECOGNITION AND HIGH RETURNS FROM THE EVENTS THE CITY HOSTS EACH YEAR. IN RECENT YEARS, EDMONTON HAS REINVESTED IN ARTS AND CULTURE, AND THE MARKS OF SUCCESS CAN BE SEEN IN ALL CORNERS OF THE COMMUNITY.

The 2005 WMG pumped an estimated $70.3 million into the Canadian economy: $32 million funnelled directly into the Edmonton region, tripling the initial combined investment from the federal, provincial and municipal governments. Edmonton has hosted many high profile sporting events, from the 1978 Commonwealth Games to the 2001 World Track and Field Championships, so both infrastructure and experience worked in the city's favour as 21,600 participants descended on Edmonton to compete in 679 different sports at 60 venues throughout the region.

As the capital of Alberta, Edmonton led the way in celebrating the province's centennial. The City gave a $50,000 gift to the province, earmarked for the construction of the River Valley Outlook Pavilion (completion slated for 2010) at the Royal Alberta Museum. Over 8,000 people came to Churchill Square for the Queen's walkabout on her visit to Edmonton, and another 20,000 greeted the Queen at Commonwealth Stadium.

Edmonton achieved another significant hosting first as part of the international champ car circuit. The race was staged at the centrally located municipal airport, drawing over 200,000 spectators from around the world and generating an estimated $23 million in revenue for the city. The event's success spurred organizers to schedule a 2006 stop here.

Renovated and rededicated for the City's centennial, the square is a prime multi-purpose venue in the downtown centre and the focal point of a thriving festival scene. Since re-opening in late 2004, the square has hosted 46 events over 147 days, with a total attendance in excess of one million. The space is ideal for hosting large events. It is also a popular local gathering spot, with commemorative history plaques, art installations, gardens, and a cafe.

Edmonton is always stirring with events and activities. Edmonton's "Fringe" is the premiere international theatre festival; our Heritage Festival is the largest in the world; and over 30 seasonal festivals reflect the city's colourful, friendly, multicultural mix.

ECONOMIC CLIMATE

AS THE CENTREPIECE OF THE STRONGEST PERFORMING REGIONAL ECONOMY IN CANADA, EDMONTON COMBINES ECONOMIC GROWTH AND BUSINESS DIVERSITY WITH REASONABLE HOUSING PRICES AND HIGH HOUSEHOLD DISPOSABLE INCOMES. IN A 2005 FOLLOW-UP REPORT ON THE EDMONTON – CALGARY CORRIDOR, TD BANK NOTES THAT ECONOMIC EXPANSION IN THE REGION NOT ONLY FULFILLED PREDICTIONS OF LEADING THE CANADIAN ECONOMY BUT EXCEEDED EXPECTATIONS. NOW, EDMONTON IS CONFRONTING CHALLENGES TIED TO ITS STRONG GROWTH AND THE RESULTING INCREASE IN DEMAND FOR SKILLED LABOUR. AS A RESULT, SOME OF THE CITY'S MAJOR CAPITAL PROJECTS FOR 2005 WERE DELAYED. COSTS CONTINUE TO ESCALATE WITHIN A STRETCHED ECONOMY. AS GROWTH CONTINUES, THERE IS ALSO A NEED FOR MORE AFFORDABLE HOUSING AND LOW COST SERVICES TO ENSURE ALL CITIZENS ARE ABLE TO ENJOY EDMONTON'S HIGH QUALITY OF LIFE.

In 2005, Edmonton was one of the fastest growing economies in Canada; the Conference Board of Canada estimated GDP growth at 5.2 per cent. The GDP is expected to continue growing by around 3 per cent for each year from now until 2010, a steady and encouraging sign of our strong economy.

Edmonton posted its second best year for housing starts in the metro area, at 13,350 units for 2005. This is a 16 per cent increase over 2004. The average home resale price for 2005 was $193,215 up 15 per cent from $167,846 in 2004.

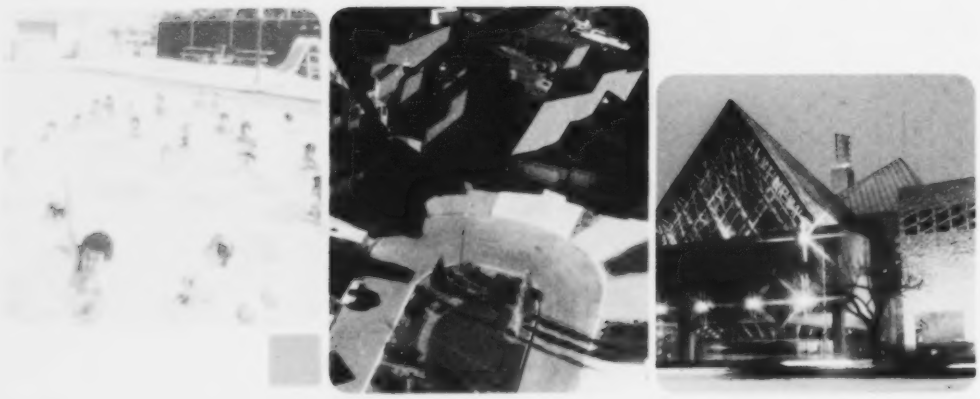
Greater Edmonton has the lowest unemployment rate of any metropolitan area in the country, at 4.7 per cent. Furthermore, citizens benefitted from the second fastest growth in disposable income in the country, at 5 per cent. Net migration to Edmonton in 2005 was estimated to be between 7,000 and 8,000.

With $80.6 billion in regional investment planned in the next decade, Edmonton is poised to grow and profit through its role as the northern hub for the energy resource sector. Other business growth areas in Edmonton include the biotechnology sector and research and development, with major new developments in the downtown core, South Edmonton, and the Edmonton Research Park.

According to a 2004 study by KPMG LLP in association with MMK Consulting, Edmonton has one of the lowest business costs among major cities in North America.

Within this robust economic climate, Edmonton continued to earn a AA (high) rating from Dominion Bond Rating Service Ltd. for its seventh consecutive year, and maintained its AA+ (stable) rating from Standard and Poor's which had been upgraded in latter 2004.

Health Spencers
1029



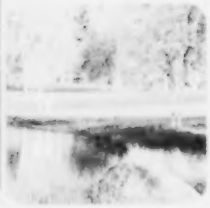
EDMONTON CITY COUNCIL SPECIAL INITIATIVES

THROUGH COUNCIL'S SPECIAL INITIATIVES, WE ARE TAKING ACTION ON THE ISSUES THAT EDMONTONIANS HAVE SAID MATTER MOST TO THEM. EACH MEMBER OF COUNCIL HAS TAKEN ON ONE OR MORE OF THESE INITIATIVES AS PART OF A NEW STRATEGY: TO CAPITALIZE ON EACH COUNCILLOR'S INDIVIDUAL SKILLS AND EXPERTISE. TOGETHER, THESE INITIATIVES WILL BUILD A CAPITAL CITY THAT BENEFITS ALL CITIZENS AND CREATES THE KIND OF COMMUNITIES PEOPLE ARE ATTRACTED TO, PROSPER IN, AND STAY, TO CONTRIBUTE TO THE CITY'S OUTSTANDING QUALITY-OF-LIFE.

We are focusing on key areas including affordable housing, neighbourhood revitalization and a plan for establishing Downtown East as a showpiece for the city. Following our Smart Choices strategy, plans for new development will take into account our goals to increase and improve transit service, provide greater pedestrian accessibility and invest in our central neighbourhoods.

Edmonton is a friendly, safe community; by being proactive, we can maintain and improve that status. We are working to ensure City services are "child friendly". At the forefront in dealing with drug and alcohol abuse, the City, working with the community, has developed a comprehensive strategy built around prevention, treatment, harm reduction and enforcement. We are also focused on improving safety on our roads through safer design and increasing driver awareness.

We see Edmonton as a city that can and does compete with other national and international capitals. We want to build on that strength. By promoting Edmonton on the international stage, we will cement the city's image as a premier destination for business, major events and tourism. Working with the arts community, we will also achieve greater recognition for our local talent and enhance the city's reputation as a cultural destination.



EDMONTON CITY COUNCIL SPECIAL INITIATIVES

A GOOD NEIGHBOUR AND PARTNER

Our city and its surrounding regions are most successful when we work together and with our other orders of government. We are collaborating with the Capital Health Authority, post-secondary institutions, the provincial government and our northern neighbours to capitalize on our shared regional advantages and build services and strategies to improve regional health care, reach cooperative working agreements between governments and public organizations, and achieve greater economic benefits.

A CULTURALLY RICH, WELCOMING COMMUNITY

Edmonton is an inclusive, multicultural society — something we prize greatly. To ensure that all citizens have access to the services they need, we are working on a number of different fronts: seniors' issues, immigration and settlement efforts, aboriginal issues, and building a more welcoming environment for youth through employment and other initiatives.

QUALITY PHYSICAL ENVIRONMENT

The sustained growth of our city presents challenges for maintaining infrastructure and planning for future development. The best way to manage this growth is by planning ahead. Our Industrial Land Strategy will ensure that business and community needs are accounted for in new development. We are also implementing a Recreation Facility Master Plan and a comprehensive parks and trails strategy to maintain quality and access to sports and recreational opportunities for all Edmontonians.

TOP ROW:

RON HAYTER
ED GIBBONS
TERRY CAVANAGH
DAVE THIELE
KIM KRUSHELL
KAREN LEIBOVICI
BRYAN ANDERSON

BOTTOM ROW:

LINDA SLOAN
JANICE MELNYCHUK
MAYOR STEPHEN MANDEL
JANE BATTY
MICHAEL PHAIR
MIKE NICKEL

EDMONTON CITY COUNCIL MESSAGE

Council is working as a team to realize a long-term vision for the city and do the planning necessary to manage the ongoing growth and expansion in Edmonton. Through our special initiatives we are positioning the city to take strategic advantage of the growing economic opportunities in our region.

This is the time for us to invest in Edmonton — with new funding through the sustainability partnership and with fresh ideas that will drive growth in the coming years. Together as Edmontonians, we will build a capital city with a confident international reputation.

POLITICAL AND ADMINISTRATIVE STRUCTURE

CITY COUNCIL

Edmonton is governed by an elected City Council comprised of a mayor and 12 councillors. Together they provide leadership and direction to the City Manager and administration, who ensure that citizens have access to the essential services needed in a liveable city.

The city is divided into six wards, with each voter able to choose two councillors as well as the Mayor. Elections are held every three years; the next election is set for October 17, 2007.

City Council meetings are held two to three times a month. City Council has seven standing committees that meet regularly. Meetings are open to the public.

CITY MANAGER

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations. Al Maurer has served in this position for six years, leading with experience and dedication. Under his leadership are six departments, plus the Office of the City Clerk.

OFFICE OF THE CITY AUDITOR

Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

EPCOR Utilities Inc. is one of Canada's top providers of power and water-related services and products. EPCOR owns and operates power plant, electrical transmission and distribution networks, builds and operates water and wastewater treatment facilities and infrastructure and provides power and water solutions to customers in Alberta, British Columbia, Ontario and the U.S. Pacific Northwest. With over $5 billion in assets, EPCOR is headquartered in Edmonton.

The City is EPCOR's sole common shareholder and City Council appoints the utility's Board of Directors and Chairman.

The Edmonton Police Commission includes seven citizens, appointed by City Council, and two City Councillors. The Police Commission oversees the Edmonton Police Service, including allocating funds provided in its annual operating budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

A 10-member Edmonton Public Library Board, appointed by City Council, manages Edmonton's library services, offered from a main location downtown and 15 branches. One City Councillor sits on the Board.

LEGISLATIVE & ADMINISTRATIVE
ORGANIZATION CHART

ELECTORATE

CITY COUNCIL
Mayor, 12 Councillors

COMMUNITY SERVICES COMMITTEE
Four Councillors

EXECUTIVE COMMITTEE
Mayor & Four Councillors

TRANSPORTATION & PUBLIC WORKS COMMITTEE
Four Councillors

OTHER COMMITTEES
Council has other committees to handle various tasks, eg. Agenda Review and Audit Committees

OFFICE OF THE CITY AUDITOR
D. Wilson, City Auditor

EPCOR UTILITIES INC.*
D. Lowry, President & C.E.O.

POLICE COMMISSION
B. Gibson, Chair

EDMONTON PUBLIC LIBRARY BOARD
Dr. S. Bertram, Chair

OTHER COMMISSIONS, AGENCIES, AUTHORITIES, BOARDS
Such as Landlord & Tenant Advisory Board, Boxing & Wrestling Commission and Edmonton Economic Development Corporation

CITY OF EDMONTON ADMINISTRATION

CITY MANAGER
A. Mauzer

ASSET MANAGEMENT & PUBLIC WORKS
B. Burn, General Manager

COMMUNITY SERVICES
R. Smyth, Acting General Manager

CORPORATE SERVICES
J. Tustian, General Manager

PLANNING & DEVELOPMENT
L. Banowski, General Manager

TRANSPORTATION
R. Millican, General Manager

CORPORATE BUSINESS PLANNING
P. Tamilevsky, General Manager

* EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton

Edmonton Economic Development Corporation (EEDC) is a wholly-owned subsidiary of the City of Edmonton. EEDC is responsible for regional economic development, tourism marketing, and the operation of the Shaw Conference Centre and Edmonton Research Park. It reports to a Board of Directors, appointed from both the private and public sector by City Council. The 15-member Board includes Edmonton's Mayor.

Hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our lives. In addition to the boards named above, areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.

AL MAURER, CITY MANAGER

CITY MANAGER MESSAGE

EDMONTON IS GROWING RAPIDLY AND DEMAND FOR MUNICIPAL SERVICES IS AT A HIGH. IN 2005, THE CITY MET ITS TARGETS WITHIN BUDGET — IN FACT, WE ACHIEVED A SURPLUS. THE CHALLENGE AT THE CITY OF EDMONTON FOR 2006, HOWEVER, IS TO NOT ONLY MAINTAIN OUR LEVEL OF SERVICE BUT TO ENHANCE SERVICES AND RESPOND EFFECTIVELY TO CITIZENS' NEEDS.

For the last few years, the City has worked with other orders of government to find sustainable sources of funding. We have seen a promising beginning with new funds to invest in building and maintaining our infrastructure, but we must keep working to ensure that funding meets our long-term requirements. This is a key priority, considering the unprecedented growth we have seen in the last five years.

Careful consideration went into allocating our infrastructure investment. South LRT (light rail transit) expansion and increased transit service were critical. In 2005 we opened the new Health Sciences LRT Station, and by 2009 the LRT will extend to Century Park. Drainage and sewer upgrades are another important priority, following heavy rainfall and flooding in spring 2005. We are also building new traffic interchanges, arterial roads and recreational facilities, while re-investing in our neighbourhoods.

During this time of rapid growth, we also worked on enhancing our community's spirit and reputation on the world stage. The City of Edmonton supported an unprecedented number of major international events in 2005. To help improve the lives of many Edmontonians, we set firm plans in place to increase the number of affordable housing units in our city with the Cornerstones initiative.

It is time for us to capitalize on the momentum in our economy, and the City is ready. We have set a strong direction that emphasizes effective social planning, urban development and fiscal balance — the keys to continued prosperity in Edmonton.

LEADING WITH VISION

CONTINUED GROWTH IS THE SINGLE MOST INFLUENTIAL TREND IN EDMONTON, AND ONE WHICH MUST BE ABLY MANAGED BY THE MUNICIPAL ADMINISTRATION. THIS REQUIRES BOTH LONG-TERM VISION TO PLAN FOR THE FUTURE, AND RESPONSIVE, IMMEDIATE ACTION TO PROVIDE FOR CITIZENS' NEEDS IN THE PRESENT. PLAN EDMONTON, THE CITY'S TEN-YEAR MASTER PLAN, IS THE LONG-TERM FRAMEWORK THAT SETS THE FOUNDATION FOR MAKING THE YEAR-TO-YEAR DECISIONS ON DEVELOPMENT PLANS AND OTHER ADMINISTRATIVE INITIATIVES; THE CITY'S CORPORATE BUSINESS PLAN OUTLINES HOW THESE STRATEGIES WILL BE CONVERTED INTO RESULTS. WE ARE CURRENTLY REVIEWING AND UPDATING PLAN EDMONTON, AND SETTING THE TONE FOR COMING YEARS BY ADDRESSING CITIZENS' NEEDS TODAY.

Over the last half-decade the City has set out its agenda for sustainable development: a new fiscal deal, well-managed "urban form", and a cohesive regional strategy. The City has made progress on a number of fronts, most notably by securing federal and provincial funding to pay for new infrastructure projects and improvements in our community. However, there is much more to be done, which is why the City is still working with other orders of government to achieve a new fiscal deal with long-term, dedicated funding for municipalities. Strong fiscal management and forward planning will guide the City's efforts to expand while maintaining stability: a Smart Choices strategy for developing the urban core, strong social programming, ecological stewardship, and partnerships with neighbouring municipalities and other orders of government.

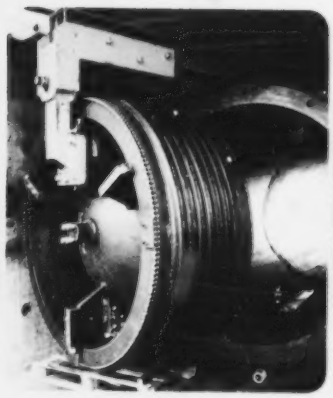
Edmonton has always been ahead of the curve in its transportation planning. In 1978, we were the first city with a population of less than one million to build a light rail transit (LRT) system. We are now upgrading the LRT with a $600 million expansion project, as well as planning to manage traffic congestion through a number of initiatives including completion of a ring road, a rapid transit bus system, better traffic interchanges and improved pedestrian and bike access.

The City added 12 new ambulances to its fleet in 2005, as well as hiring more police, fire rescue and emergency medical responders. We also introduced the Heart-Safe program to encourage organizations to purchase Automatic External Defibrillation equipment (AEDs) and train staff in CPR; the program is the fourth largest of its kind in the country. From a prevention standpoint, we helped citizens manage safety in the home through our home flood prevention check-up program, assessing over 2000 homes.

Edmontonians know best what services are most essential to them. The City values citizen input and is building consistent, effective mechanisms to ensure Edmontonians can access their government. In a 2005 citizen satisfaction survey by Ipsos Reid, citizens identified transportation and safety services as priorities. We are working to address both of these areas in 2006. Our efforts to provide effective, citizen-driven services are evidently meeting citizen's needs, with 82 per cent of citizens agreeing that they get good value for their tax dollars. City services are a major factor in Edmontonians' satisfaction with their quality of life, ranked as good/very good by 97 per cent of survey respondents.

EDMONTON: INNOVATIVE, ENLIGHTENED

CAPITAL IDEAS DRIVE STRONG ECONOMIES. THE CITY OF EDMONTON IS COMMITTED TO INNOVATION, AND AS A RESULT CITIZENS ENJOY SOME OF THE HIGHEST QUALITY SERVICES OFFERED ANYWHERE IN THE WORLD. HOMEGROWN INITIATIVES ARE MAKING A NAME FOR EDMONTON INTERNATIONALLY. OUR CIVIC SERVICES ARE AT THE FOREFRONT IN GREEN TECHNOLOGY AND PLANNING, AND OUR ENLIGHTENED APPROACH TO COMMUNITY BUILDING IS SETTING THE TONE FOR MULTICULTURAL COLLABORATION AND SUCCESS. EDMONTON'S SUCCESS IN THESE AREAS IS BUILDING A BETTER CAPITAL, DRIVING OUR EFFORTS FURTHER, AND CREATING A COMMUNITY BUILT ON HEALTHY, INSPIRED AND STABLE FOUNDATIONS.



Edmonton is an international leader in environmental initiatives. Enviso, the City's environmental management system, is designed to achieve the ISO 14001 designation for all city operations (on track for 2008). At the Waste Management Center of Excellence and the Wastewater Centre of Excellence, we are continually refining treatment processes that already divert about 60 per cent of residential waste from landfills — more than any other Canadian city. We also have a landfill gas program that is generating enough electricity to provide for 15 per cent of the City's total power use. And with CO^2RE (Carbon Dioxide Reduction Edmonton), we are reducing greenhouse gases through one of the most comprehensive, stakeholder-developed emission reduction plans in North America.

In 2005, Council approved the Aboriginal Declaration, believed to be the first comprehensive acknowledgement by a Canadian city of the importance — past, present and future — of First Nations, Métis, and Inuit contributions. Edmonton has the second largest Aboriginal population of any major city in Canada, and one of the most enlightened strategies for acknowledging and incorporating the Aboriginal voice. The initiative has involved over 1600 people to obtain an Aboriginal perspective on community planning efforts. The second part of the dialogue takes place in 2006.

Every year the City finds ways to get the most for citizens' tax dollars, through strategically sourced purchasing and innovative solutions for delivering services. By introducing a new application for managing its database and software needs, the City achieved an ongoing cost savings of $500,000 per year. We also win awards for our innovation and efficiency. Our Street Sand Recycling Program — the only one of its kind in North America — earned the Transportation Association of Canada's 2005 Environmental Award for using nearly 80 per cent recycled material. And our Smart Choices program, an innovative urban planning strategy, won the 2005 Award of Excellence from the Alberta Association of the Canadian Planners Institute.

With a new downtown storefront facade renewal program, the introduction of the Urban Design Awards and other downtown revitalization projects underway, the City is stimulating a revival in central Edmonton. We are spearheading growth through the Downtown East project, and working with the arts community to highlight our city's flourishing cultural and artistic talents.

Hall D, a 26,900 sq. ft. expansion of Edmonton's Shaw Conference Centre, is scheduled to open in March 2006. The new space will offer visitors a breath-taking 270 degree view of the city's river valley and place the Shaw as the fourth largest conference centre in Canada.

JOYCE TUSTIAN
GENERAL MANAGER,
CORPORATE SERVICES

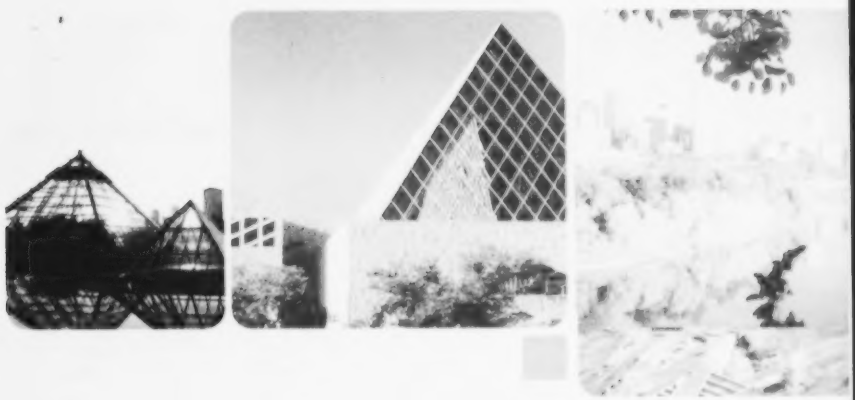
ROGER ROSYCHUK
FINANCE BRANCH MANAGER

REPORT FROM CORPORATE SERVICES - FINANCE

THE 2005 ANNUAL REPORT CONTAINS THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE CITY OF EDMONTON (THE CITY), AS PREPARED BY MANAGEMENT, IN COMPLIANCE WITH THE STANDARDS ESTABLISHED BY THE PUBLIC SECTOR ACCOUNTING BOARD (PSAB) OF THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS (CICA). THE ACCOMPANYING AUDITORS' REPORT HAS BEEN PROVIDED BY DELOITTE & TOUCHE LLP. THE FINANCIAL STATEMENTS AND AUDITORS' REPORT SATISFY A LEGISLATIVE REPORTING REQUIREMENT AS SET OUT IN THE MUNICIPAL GOVERNMENT ACT (MGA) OF ALBERTA.

The Annual Report also serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2005 financial performance, and to provide related information regarding significant financial policies, strategies, and events.

The following financial statement discussion and analysis is the responsibility of management and should be read in conjunction with the audited consolidated financial statements and the schedules and statistics.



FINANCIAL STATEMENT DISCUSSION & ANALYSIS

The 2005 financial statements of the City have been prepared on a fund basis and are comprised of an operating fund, a capital fund, and a reserve fund. The results of the three funds have been consolidated to report the overall financial position, financial activities and changes in financial position. The City continues to achieve strong financial results indicative of both continued solid fiscal management and a vibrant economy.

The Consolidated Statement of Financial Position provides a summary of the City's financial assets, liabilities and municipal position. Overall the City has continued to maintain a positive municipal fund position providing financial flexibility for the future.

The Consolidated Statement of Financial Activities provides a summary of revenues collected by the City and the application of such revenues to provide municipal services. Total revenues reported of over $1.6 billion, up 9 per cent from 2005, highlight the City's continued growth. Expenditures of $1.5 billion were generally managed within the approved budget.

The Consolidated Statement of Changes in Financial Position summarizes the sources and uses of cash in 2005. The cash position, comprised of cash and temporary investments, has increased to $184.3 million from $130.4 million in 2004. This is primarily the result of additional provincial government transfers received during the year which will be applied to finance capital expenditures in future years. The City has been able to increase investments of a longer term nature by $188.2 million, to maximize investment earnings and provide future financial stability. Net debenture borrowings have remained somewhat consistent year over year, as many capital projects continue to be financed from other funding sources.

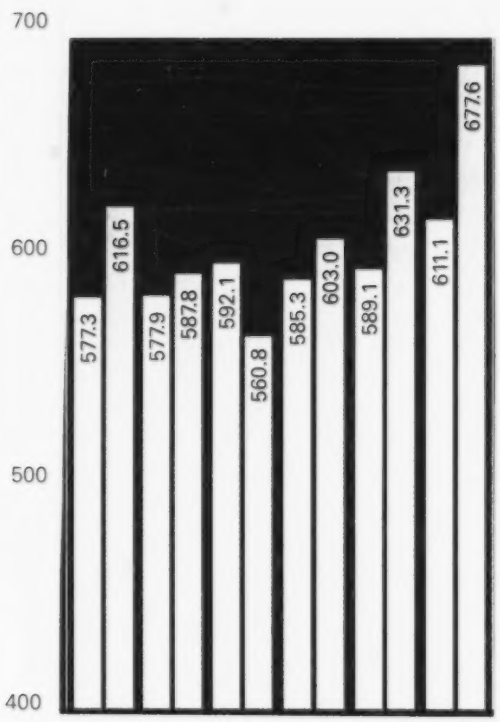
Investments

Included in investments of about $1,285 million are amounts held within a Short Term Bond Fund, the Ed Tel Endowment Fund, the Balanced Fund, the Sanitary Servicing Strategy Fund, and other longer term investments. Overall, the market value of the investment portfolio of $1,374 million well exceeds the cost.

Further investments of $171.1 million are managed for trusts under administration, as outlined in Note 21 to the consolidated financial statements, including City-sponsored pension plans and a long-term disability benefit plan funded by employees.

City Council approved an investment policy, to preserve the original principal and to maximize investment returns within an acceptable level of risk. Asset mix is determined based upon the earning objectives and timelines. All investments must comply with the Municipal Government Act of Alberta, the associated Major City's Investment Regulation and with the City's investment policy.

The Ed Tel Endowment Fund was established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. Earnings from the Fund are applied to support municipal operations under a formula established by City Bylaw. The Fund ended the year with a net asset book value of $611.1 million and a market value of $677.6 million.



In mid 2005, $29.8 million relating to the Sanitary Servicing Strategy program was invested in a Fund, to maximize investment earnings based upon cash flow expectations. The fund ended the year with a market value of $ $29.9 million, slightly less than book value of $30.3 million. However, administration considers the value difference to be temporary in nature.

Investment in Subsidiaries

The City's investment in subsidiaries relates to EPCOR Utilities Inc. (EPCOR) and the City of Edmonton Non-Profit Housing Corporation, both wholly owned subsidiaries. The City applies a modified equity method of accounting and reporting for these subsidiaries as government business enterprises. Accounting principles followed by the subsidiaries are not adjusted to conform with those of the City as a local government.

In 2005, the total investment in subsidiaries increased to $1,758 million from $1,694 million in 2004. During 2005 EPCOR acquired from TransCanada Corporation its interest in TransCanada Power, LP, resulting in a net increase to the City equity position in EPCOR.

City Council's utility fiscal policies govern the financial relationship between the City's operating fund and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return on the City's equity investment. The policies also require each utility to pay the City a franchise fee on utility revenue and to provide a portion of annual utility profits as a dividend to the City. The dividend policy for EPCOR is based on a percentage of budgeted earnings.

Physical Assets

Physical assets include $2,242 million capital assets of the consolidated utility and enterprise operations, and tax-supported capital assets financed by debt. Assets for utility and enterprise operations are amortized over their expected useful lives while tax-supported debt assets are amortized at the rate of principal repayments.

Currently the PSAB Handbook does not provide definitive standards for accounting for capital assets for local governments. In March 2006, PSAB has issued an exposure draft for a revised Handbook section 3150 - Tangible Capital Assets which, if implemented, will require local governments to report all tangible capital assets and provide for amortization over the expected useful lives. This change would significantly impact the reporting model currently followed. Administration is reviewing the implications and the changes that would be required in future years. Approval of the handbook section is expected in 2006, for implementation in years beginning in 2009, with earlier application recommended.

Deferred Revenue

Deferred revenue totaling over $200 million; with an increase of $123 million over 2004, is largely made up of funding received for capital. These funds are externally restricted and will be recognized in future periods as they are used for the purpose intended. Included in 2005 deferred revenue is $134 million received under the Alberta Municipal Infrastructure Program (AMIP); a program implemented to manage the infrastructure backlog and longer term infrastructure requirements.

Debt

Long-term debt totaling $470.3 million is reported as the net amount payable. The total amount of debentures and mortgages payable of $1,353.0 million is offset by the related amounts receivable, mainly from EPCOR, and by Sinking Fund assets. The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999. An amount of $498.0 million has been accumulated within the Sinking Fund for future debt retirement. Overall market values of investments in the Sinking Fund of $570.6 million exceed book values of $554.1 million as at December 31, 2005.

The MGA sets limits for debt and debt service costs. The City carries relatively low levels of debt and is well below the legislated limits.

2005 MGA Debt Limit	$	2,638.4
Total Debt per Regulation		473.4
Percentage used (%)		17.9
2005 MGA Debt Service Limit	$	461.7
Total Debt Service per Regulation		55.8
Percentage used (%)		12.1

The City's Debt Management Fiscal Policy provides guidelines for debt and pay-as-you-go funding from the operating fund. In late 2002, City Council approved revisions to the Policy to allow limited borrowing for tax-supported capital projects, to address the increasing growth and rehabilitation demands the City is experiencing. The City continues to follow a pay-as-you-go financing approach for a significant portion of capital expenditures in tax-supported programs, reducing the amount of debt financing required.

All borrowing completed by the City since 1993 has been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Province of Alberta and the combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

FINANCIAL ACTIVITIES

Operating Fund

The 2005 consolidated operating fund net revenues were $139.1 million, excluding income from subsidiary operations, which contributed a further $187.1 million. After providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by $107.1 million to $2,569.7 million.

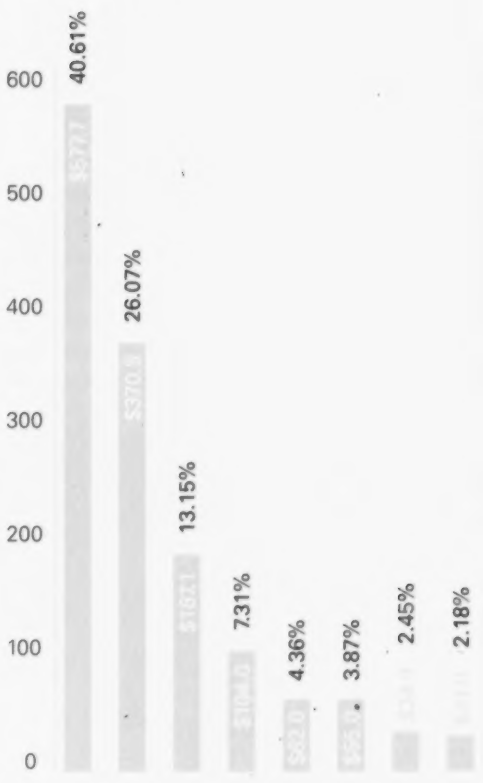
Results for tax-levy operations reflect the ongoing growth and strong local economy, with increased revenues from user fees in areas such as transit, waste management, development compliance, and in franchise fees. Improved capital markets resulted in higher than budgeted investment earnings. Tax assessment growth exceeded expectations while expenditures for appeals and written off accounts were less than anticipated. A change in Provincial legislation provided major Alberta cities with the ability to invest in BBB securities, creating an opportunity to swap certain investments which resulted in a one-time capital gain of approximately $9 million.

The City recognized expenditures to adjust employee benefit obligations in 2005 relating to accrued vacation, post-employment benefits provided to employees subsequent to their active service, banked overtime and certain benefit plans. The adjustments were based upon updated data or actuarial valuations.

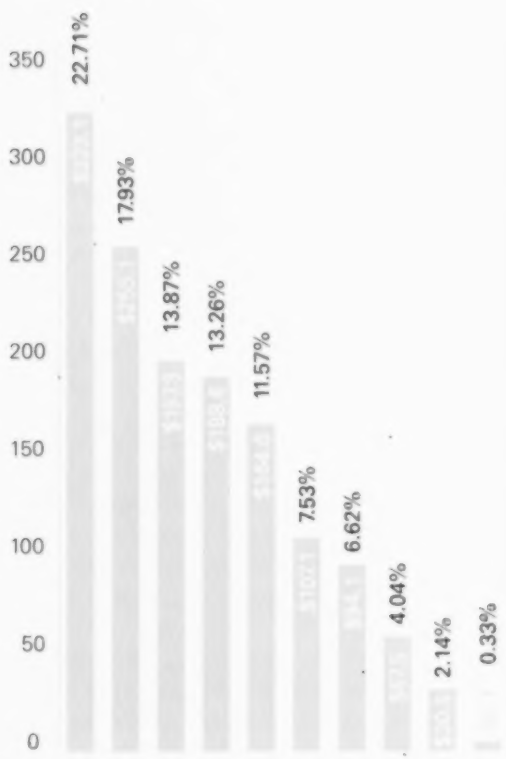
Earnings within the Ed Tel Endowment Fund in 2005 were $50.8 million. Of that amount, $28.8 million was provided to support municipal operations. Based upon the strong investment market values at year end, a special one-time dividend of $7.6 million has been approved under the Investment Policy for 2006.

Earnings in The City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required

OPERATING FUND
SOURCE OF INCOME DOLLAR
(millions of $)



Taxation	$	577.7	40.61%
Sale of goods and services		370.9	26.07%
Subsidiary operations		187.1	13.15%
Investment earnings		104.0	7.31%
Franchise fees		62.0	4.36%
Government transfers		55.0	3.87%
Fines and transfers		34.9	2.45%
Licenses, permits and other		31.0	2.18%
	$	1,422.6	100.00%



Protective services	$	323.1	22.71%
Transportation services		255.1	17.93%
Community services		197.3	13.87%
Net transfers to capital fund and reserve fund		188.6	13.26%
Corporate administration, general municipal and pension and benefit adjustments		164.6	11.57%
Increase in operating fund balance		107.1	7.53%
Utility and enterprise services		94.1	6.62%
Waste management and storm Sewer		57.5	4.04%
Debt repayment		30.5	2.14%
Tax appeals and allowances		4.7	0.33%
	$	1,422.6	100.00%

earnings by $11.0 million in 2005. Under an agreement, excess earnings within the Sinking Fund are shared between the City and EPCOR. The balance of accumulated excess earnings attributable to the City at December 31, 2005 is $29.2 million, of which $3.6 million has been committed to fund future capital expenditures.

EPCOR net earnings of $187.1 million in 2005 slightly exceeded the budget expectation of $184.4 million. Dividends of $122.7 million and franchise fees of $34.6 million were transferred to support municipal operations.

Enterprise and utility operations of Drainage Services Utility, Land Enterprise, and Mobile Equipment Services earned a combined $95.6 million, prior to fund transfers and debt repayment of $79.5 million. The Edmonton Public Library, Edmonton Economic Development Corporation, and Taxi Cab Commission earned a combined $2.1 million, prior to fund transfers and debt repayment of $0.9 million.

Capital Fund

$428.6 million was expended on capital during 2005, an increase of eleven per cent from the prior year. Expenditures were primarily in areas of roadways, drainage services, bus and light rail transit, mobile equipment and information technology. A number of capital projects did not proceed to the extent planned during the year due to factors such as outstanding external commitments, land and vendor negotiations, project changes, weather impacts and unavailability of resources. Those projects will continue into 2006. The strong regional economy is impacting on the availability of resources and resulting in a level of cost escalation.

In 2005, an extension of the South Light Rail Transit (SLRT) was completed from the University of Alberta to the Health Sciences site. Initial work began on a further $600 million extension south to the Century Park development. This portion of expansion is being initially financed through a combination of federal fuel tax rebate dollars and debt financing, with the ongoing federal fuel tax monies applied to the future debt servicing.

Operating Fund

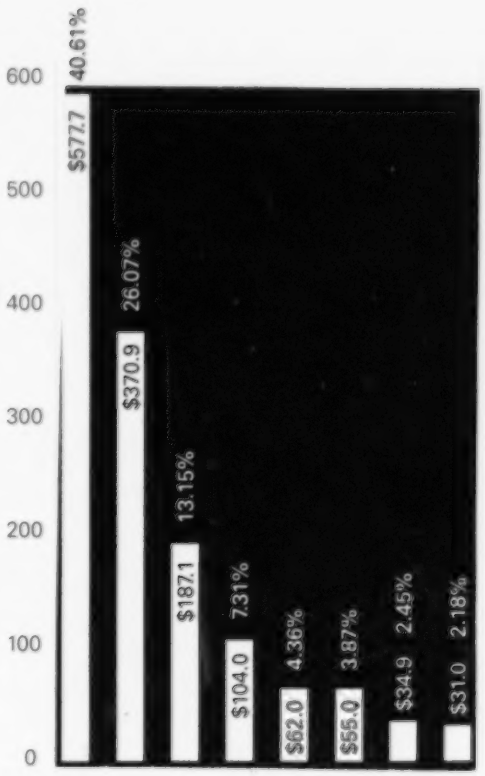
The 2005 consolidated operating fund net revenues were $139.1 million, excluding income from subsidiary operations, which contributed a further $187.1 million. After providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by $107.1 million to $2,569.7 million.

Results for tax-levy operations reflect the ongoing growth and strong local economy, with increased revenues from user fees in areas such as transit, waste management, development compliance, and in franchise fees. Improved capital markets resulted in higher than budgeted investment earnings. Tax assessment growth exceeded expectations while expenditures for appeals and written off accounts were less than anticipated. A change in Provincial legislation provided major Alberta cities with the ability to invest in BBB securities, creating an opportunity to swap certain investments which resulted in a one-time capital gain of approximately $9 million.

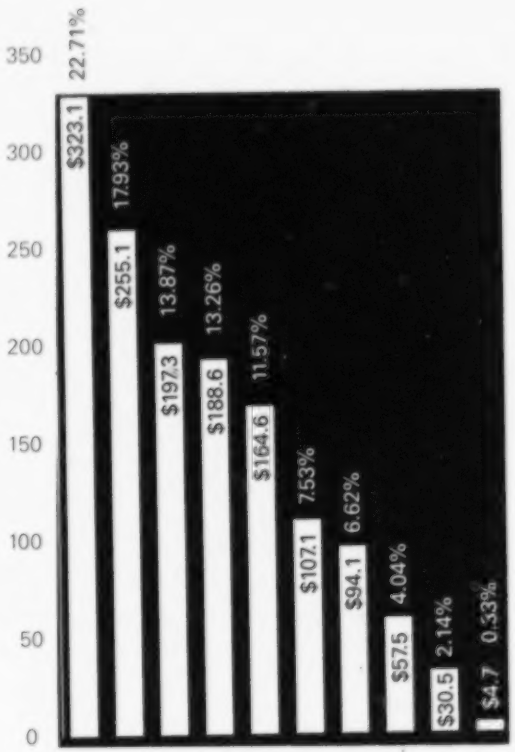
The City recognized expenditures to adjust employee benefit obligations in 2005 relating to accrued vacation, post-employment benefits provided to employees subsequent to their active service, banked overtime and certain benefit plans. The adjustments were based upon updated data or actuarial valuations.

Earnings within the Ed Tel Endowment Fund in 2005 were $50.8 million. Of that amount, $28.8 million was provided to support municipal operations. Based upon the strong investment market values at year end, a special one-time dividend of $7.6 million has been approved under the Investment Policy for 2006.

Earnings in The City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required



Taxation	$	577.7	40.61%
Sale of goods and services		370.9	26.07%
Subsidiary operations		187.1	13.15%
Investment earnings		104.0	7.31%
Franchise fees		62.0	4.36%
Government transfers		55.0	3.87%
Fines and transfers		34.9	2.45%
Licenses, permits and other		31.0	2.18%
	$	1,422.6	100.00%



Protective services	$	323.1	22.71%
Transportation services		255.1	17.93%
Community services		197.3	13.87%
Net transfers to capital fund and reserve fund		188.6	13.26%
Corporate administration, general municipal and pension and benefit adjustments		164.6	11.57%
Increase in operating fund balance		107.1	7.53%
Utility and enterprise services		94.1	6.62%
Waste management and storm Sewer		57.5	4.04%
Debt repayment		30.5	2.14%
Tax appeals and allowances		4.7	0.33%
	$	1,422.6	100.00%

earnings by $11.0 million in 2005. Under an agreement, excess earnings within the Sinking Fund are shared between the City and EPCOR. The balance of accumulated excess earnings attributable to the City at December 31, 2005 is $29.2 million, of which $3.6 million has been committed to fund future capital expenditures.

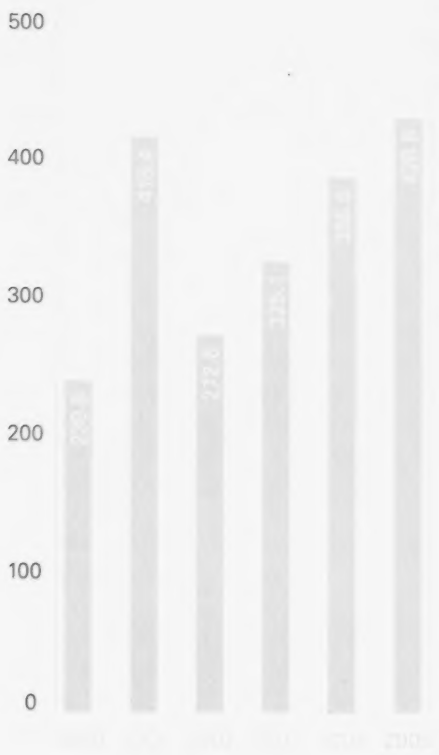
EPCOR net earnings of $187.1 million in 2005 slightly exceeded the budget expectation of $184.4 million. Dividends of $122.7 million and franchise fees of $34.6 million were transferred to support municipal operations.

Enterprise and utility operations of Drainage Services Utility, Land Enterprise, and Mobile Equipment Services earned a combined $95.6 million, prior to fund transfers and debt repayment of $79.5 million. The Edmonton Public Library, Edmonton Economic Development Corporation, and Taxi Cab Commission earned a combined $2.1 million, prior to fund transfers and debt repayment of $0.9 million.

Capital Fund

$428.6 million was expended on capital during 2005, an increase of eleven per cent from the prior year. Expenditures were primarily in areas of roadways, drainage services, bus and light rail transit, mobile equipment and information technology. A number of capital projects did not proceed to the extent planned during the year due to factors such as outstanding external commitments, land and vendor negotiations, project changes, weather impacts and unavailability of resources. Those projects will continue into 2006. The strong regional economy is impacting on the availability of resources and resulting in a level of cost escalation.

In 2005, an extension of the South Light Rail Transit (SLRT) was completed from the University of Alberta to the Health Sciences site. Initial work began on a further $600 million extension south to the Century Park development. This portion of expansion is being initially financed through a combination of federal fuel tax rebate dollars and debt financing, with the ongoing federal fuel tax monies applied to the future debt servicing.



The ending capital fund balance of $145.0 million is committed to fund capital projects approved by City Council. Equity in physical assets has increased by $107.5 million in 2005, to a balance of $1,267.9 million.

Revenues of $206.4 million in government transfers and developer and customer contributions were applied directly to finance capital. As well, $160.8 million was transferred from the operating fund on a pay-as-you-go basis and $83.3 million new debenture borrowings included $42.4 million of tax-supported debentures.

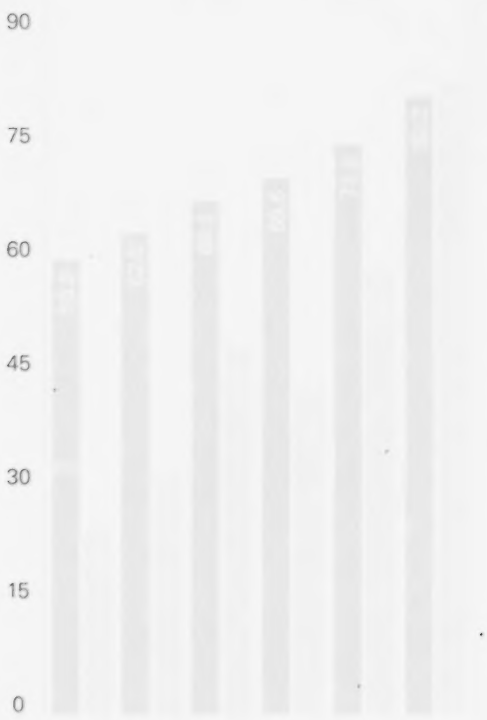
The City has embarked on a detailed review of the planning, project management and financial processes relating to capital in 2005. A report will be presented to City Council in April 2006 to provide an overall plan to implement the review recommendations beginning with the 2007-2009 budget years.

Reserve Fund

The current Reserve and Operating Equity Accounts Policy was approved by City Council in 2002. The establishment of reserves, as well as transfers to and from reserves requires the approval of City Council, through the budget approval process. An in-depth review of reserves and equity balances is underway, with completion planned for 2006, consistent with the Policy which provides for such a review every three years.

Reserves of $3.0 million maintained by the Public Library are as approved by the Edmonton Public Library Board. As at December 31, 2005 a consolidated amount of $151.3 million has been designated to reserves to fund future operating or capital purposes. The balance is increased from the level of the prior year by $31.5 million.

Of the overall reserve fund balance, an amount of $82.0 million is held within the Financial Stabilization Reserve (FSR). The FSR was established in 1997, to provide flexibility in addressing financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. The operating surplus for tax-levy operations is transferred to the financial stabilization reserve annually. A target balance of seven per cent of general government operating expenditures has been established for the FSR (2005 - $80.2 million). The target balance will be achieved for the first time in 2006. Based upon the policy, any unappropriated FSR balance in excess of the reserve target level is applied evenly to the three subsequent years' operating budgets. A transfer of $30.2 million of 2005 tax-levy surplus will be made to the reserve in 2006. City Council has directed that up to $9.2 million from the FSR be used to finance certain expenditures in 2006.



The City maintains the following processes to ensure appropriate financial controls and accountability are maintained within the organization and to take a proactive approach to identify and address financial challenges.

Planning and Budget Process

Plan Edmonton sets out the long-term vision for the City. Corporate and department three-year business plans support the overall vision, setting out goals, key strategies, and specific corporate-wide initiatives for implementation. A ten-year Long-Range Financial Plan is updated annually to track revenue and expenditure trends, identify financial challenges or opportunities, and provide a framework for evaluating options in both operating and capital.

In 2005, the Long-Range Financial Plan was updated for the 2006-2015 period and provided to City Council along with contextual financial information, in order to establish specific program and service delivery guidelines for the preparation of the 2006 Budgets. The Corporate Business Plan was also updated for 2006-2008. In addition, three-year department business plans were prepared along with the 2006 budget.

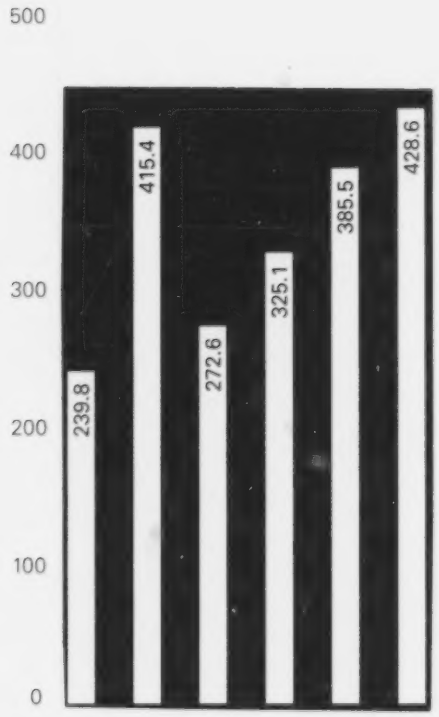
Edmonton's operating budget lays out the revenues and expenditures planned for the following year to deliver city services, using a program-based approach with a focus on service delivery.

Edmonton's capital priorities plan and budget identifies proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the Corporation's financial resources are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation during the development and review of the annual budgets. Within the 2006 planning and budget process, citizen and stakeholder input was provided through web-based surveys. In addition, City Council held a public forum prior to their deliberations with respect to the recommended budget.

Accounting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources



The ending capital fund balance of $145.0 million is committed to fund capital projects approved by City Council. Equity in physical assets has increased by $107.5 million in 2005, to a balance of $1,267.9 million.

Revenues of $206.4 million in government transfers and developer and customer contributions were applied directly to finance capital. As well, $160.8 million was transferred from the operating fund on a pay-as-you-go basis and $83.3 million new debenture borrowings included $42.4 million of tax-supported debentures.

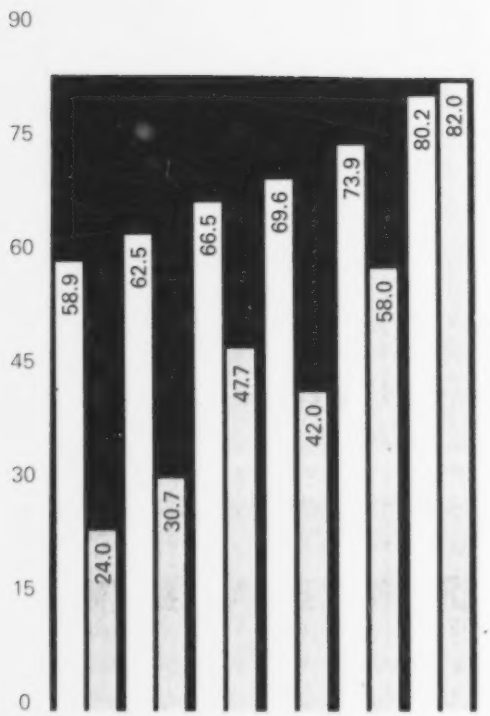
The City has embarked on a detailed review of the planning, project management and financial processes relating to capital in 2005. A report will be presented to City Council in April 2006 to provide an overall plan to implement the review recommendations beginning with the 2007-2009 budget years.

Reserve Fund

The current Reserve and Operating Equity Accounts Policy was approved by City Council in 2002. The establishment of reserves, as well as transfers to and from reserves requires the approval of City Council, through the budget approval process. An in-depth review of reserves and equity balances is underway, with completion planned for 2006, consistent with the Policy which provides for such a review every three years.

Reserves of $3.0 million maintained by the Public Library are as approved by the Edmonton Public Library Board. As at December 31, 2005 a consolidated amount of $151.3 million has been designated to reserves to fund future operating or capital purposes. The balance is increased from the level of the prior year by $31.5 million.

Of the overall reserve fund balance, an amount of $82.0 million is held within the Financial Stabilization Reserve (FSR). The FSR was established in 1997, to provide flexibility in addressing financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. The operating surplus for tax-levy operations is transferred to the financial stabilization reserve annually. A target balance of seven per cent of general government operating expenditures has been established for the FSR (2005 - $80.2 million). The target balance will be achieved for the first time in 2006. Based upon the policy, any unappropriated FSR balance in excess of the reserve target level is applied evenly to the three subsequent years' operating budgets. A transfer of $30.2 million of 2005 tax-levy surplus will be made to the reserve in 2006. City Council has directed that up to $9.2 million from the FSR be used to finance certain expenditures in 2006.



The City maintains the following processes to ensure appropriate financial controls and accountability are maintained within the organization and to take a proactive approach to identify and address financial challenges.

Planning and Budget Process

Plan Edmonton sets out the long-term vision for the City. Corporate and department three-year business plans support the overall vision, setting out goals, key strategies, and specific corporate-wide initiatives for implementation. A ten-year Long-Range Financial Plan is updated annually to track revenue and expenditure trends, identify financial challenges or opportunities, and provide a framework for evaluating options in both operating and capital.

In 2005, the Long-Range Financial Plan was updated for the 2006-2015 period and provided to City Council along with contextual financial information, in order to establish specific program and service delivery guidelines for the preparation of the 2006 Budgets. The Corporate Business Plan was also updated for 2006-2008. In addition, three-year department business plans were prepared along with the 2006 budget.

Edmonton's operating budget lays out the revenues and expenditures planned for the following year to deliver city services, using a program-based approach with a focus on service delivery.

Edmonton's capital priorities plan and budget identifies proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the Corporation's financial resources are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation during the development and review of the annual budgets. Within the 2006 planning and budget process, citizen and stakeholder input was provided through web-based surveys. In addition, City Council held a public forum prior to their deliberations with respect to the recommended budget.

Accounting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources

allocated to those programs. The City utilizes a shared services model for corporate areas of communication, finance, law, human resources, information technology, and mobile equipment services.

All business areas share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Finance Branch Manager and delivered to each business area based on their needs.

Auditing Process

The MGA requires municipal councils to appoint an auditor. In 2004, Edmonton City Council appointed the firm of Deloitte & Touche LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements and the provincial financial information return of the municipality. An Audit Committee has been established as a Committee of Council. The Act requires municipal financial statements to be prepared in accordance with generally accepted accounting principles for local govern-ments, as recommended by the Canadian Institute of Chartered Accountants.

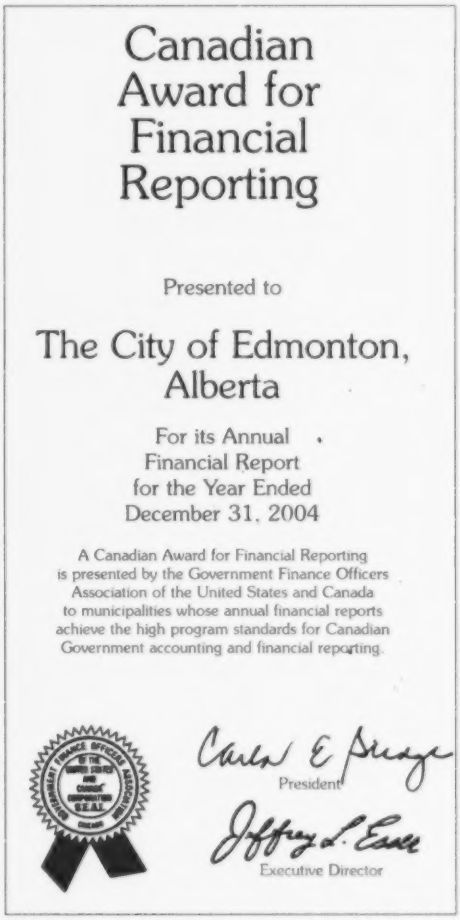
The City also has an internal audit function. The Office of the City Auditor is independent of the City Administration and reports directly to City Council through Audit Committee. The Office is empowered by Bylaw 12424, City Auditor. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and

Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

RECOGNITION FOR ACHIEVEMENTS

Once again the City of Edmonton has been recognized with a number of awards in the financial area, attesting to the ongoing drive for quality and achievement.


Canadian Award for Financial Reporting
Presented to
The City of Edmonton, Alberta
For its Annual Financial Report for the Year Ended December 31, 2004
A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.
President
Executive Director

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2004. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the twelfth consecutive year that the City of Edmonton has received this award. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we will be submitting it to the GFOA for consideration.

The City of Edmonton also received the **2005 Distinguished Budget Presentation Award** from the Government Finance Officers Association of the United States and Canada, for the eighth straight year. The award represents a significant achievement and reflects the commitment of City Council and administration to meeting the highest principles of governmental budgeting. Edmonton has satisfied nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the budget serves as a policy document, a financial document, an operations guide, and a communication device.

For the sixth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring innovation, professionalism, productivity, and leadership attributes of public sector organizations.

City Council approved the 2006 Operating and Capital Budgets in December 2005. Overall, the budget maintains existing services, responds to growth demands, and addresses community priorities by adding resources in areas such as emergency medical, fire rescue, police, transit and roadway maintenance. Additional funding is provided by a 3.4 per cent increase in the municipal property and business tax revenues. Included in the tax increase is 1.0 per cent to cover the future cost of servicing $64.6 million in borrowing for priority tax-supported capital projects and a 0.25 per cent increase for the South LRT Risk Mitigation Strategy.

Tax-supported debt financed projects approved in 2006 include a multi-purpose recreation facility in the southwest, redevelopment of the Queen Elizabeth outdoor pool, infrastructure upgrades to the Edmonton Art Gallery, neighborhood/district park development and recreation facility upgrades.

The 2006 budget includes selected increases in user fees for various municipal services, including sewer and drainage fees, transit ticket fares, various parks and recreation fees and some building permits.

Consistent with the City's focus on continuous improvement, the 2006 Budget identifies $3 million in corporate revenue initiatives. This initiative in 2006 contributes to over $103 million in annual revenue and expenditure reduction initiatives that the city has implemented over the past thirteen years.

Operating and capital funding gaps continue to exist as identified in the Long-Range Financial Plans reviewed with City Council. The overall strategies to close the gap recognize the need for a revised, more equitable long-term relationship with the Federal and Provincial governments, that allows municipalities the funding flexibility to plan and prioritize based upon needs. Efforts are ongoing and progress is being made.

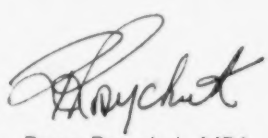
The City continues to benefit from the full GST rebate introduced by the Federal government in 2004 and by an annual amount of $12 million received from the Province to support ambulance services beginning in 2005. Also in 2005, the Federal government introduced a per capita fuel tax rebate which will see the City receive an additional $108 million over a five year period. The funding has been designated by the City as a source of financing for the SLRT expansion project.

The Province of Alberta introduced 5-year AMIP funding commencing in 2005 to assist municipalities in addressing their municipal capital infrastructure needs. The City of Edmonton received the first annual amount of $135.5 million in 2005. In addition, the Province has announced continued commitment to provide $1.5 billion for Edmonton and Calgary ring roads.

Dominion Bond Rating Services have updated their rating of the City of Edmonton as AA (high). Standard & Poors has improved their rating to a AA+/Stable from a AA/Positive. The positive ratings acknowledge the continued track record of good financial management, the low level of tax-supported debt, the strong liquidity position, and the exceptional long-term results from the local economy.

Forecasts project continued strong economic growth within the Edmonton region. The City is challenged to maintain existing services as well as to address the service and infrastructure needs associated with significant growth. Programs and services are continually reviewed to identify internal efficiencies and opportunities. Additional funding announced from the provincial and federal orders of government enhance the City's ability to implement the necessary funding to support the strategies which will shape the future.

Joyce Tustian
General Manager, Corporate Services



Roger Rosychuk, MBA
Finance Branch Manager

March 30, 2006

FINANCIAL INFORMATION

MANAGEMENT'S REPORT

The management of The City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants. The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls, as well as an internal audit function. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The consolidated financial statements have been audited by the independent firm of Deloitte & Touche LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Al Maurer, PEng.
City Manager

Roger Rosychuk, M.B.A.
Finance Branch Manager

March 30, 2006

AUDITORS' REPORT

To His Worship the Mayor and Members of Council
The City of Edmonton

We have audited the consolidated statement of financial position of the City of Edmonton as at December 31, 2005, and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Edmonton as at December 31, 2005, and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

March 30, 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2005 (in thousands of dollars)	2005	2004 (Note 22)
Assets		
Cash and temporary investments (Note 2)	$ 184,284	$ 130,421
Receivables:		
Taxes receivable	26,791	23,811
Trade and other receivables	83,653	61,914
Land for resale	35,778	44,082
Investments (Note 3)	1,285,180	1,096,967
Investment in subsidiaries (Note 17)	1,758,269	1,693,786
	3,373,955	3,050,981
Prepaid expenses and deferred charges (Note 4)	39,518	39,825
Physical Assets (Note 5):		
Inventories of materials and supplies	18,454	14,362
Land for future municipal purposes	19,050	12,994
Local improvements	56,492	55,865
Capital assets	1,644,251	1,494,710
	1,738,247	1,577,931
Total Assets	5,151,720	4,668,737
Liabilities		
Accounts payable and accrued liabilities	230,389	200,411
Deposits	11,204	8,313
Deferred revenue (Note 6)	200,539	77,738
Employee benefit obligations (Note 7)	88,681	80,044
Landfill closure and post-closure care (Note 8)	16,608	15,095
Long-term debt (Note 9)	470,300	417,504
Total Liabilities	1,017,721	799,105
Municipal Position		
Fund Balances:		
Operating fund (Schedule 1)	2,569,688	2,462,541
Capital fund (Schedule 2)	145,032	126,818
Reserve fund (Schedule 3)	151,332	119,846
	2,866,052	2,709,205
Equity in physical assets	1,267,947	1,160,427
Total Municipal Position	4,133,999	3,869,632
Total Liabilities and Municipal Position	$ 5,151,720	$ 4,668,737

Commitments and contingent liabilities (Notes 19 and 20)

See accompanying notes to consolidated financial statements.

Approved by:

Al Maurer, P.Eng.
City Manager

Roger Rosychuk, MBA
Finance Branch Manager

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended December 31, 2005 (in thousands of dollars)	Budget (unaudited)	2005	2004
Revenues			
Net taxes available for municipal purposes (Note 13)	$ 572,705	**$ 577,680**	$ 533,897
User fees and sale of goods and services	332,984	**374,737**	333,288
Subsidiary operations (Note 17)	184,400	**187,152**	205,991
Government transfers (Note 14)	216,221	**177,679**	149,833
Investment earnings	53,073	**103,996**	64,471
Franchise fees	58,458	**62,019**	57,331
Developer and customer contributions	92,766	**79,943**	91,191
Fines and penalties	33,037	**34,922**	34,318
Licenses and permits	25,343	**30,875**	28,675
	1,568,987	**1,629,003**	1,498,995
Expenditures (Note 16)			
Protective services:			
Police and bylaw enforcement	214,749	**208,358**	195,303
Emergency response	123,807	**123,461**	115,245
	338,556	**331,819**	310,548
Transportation services:			
Bus and light rail transit	261,663	**215,296**	180,538
Roadway and parking	245,463	**223,444**	211,620
	507,126	**438,740**	392,158
Community services:			
Parks and recreation	163,456	**120,134**	100,598
Community and family	16,142	**15,764**	15,290
Edmonton Public Library	38,212	**31,185**	28,840
Planning	21,317	**19,204**	16,524
Convention and tourism	36,850	**20,584**	18,752
Grants	11,566	**11,405**	9,448
Public housing	4,779	**4,698**	3,957
	292,322	**222,974**	193,409
Utility and enterprise services:			
Drainage Services	227,501	**180,367**	173,281
Mobile equipment	73,941	**52,621**	46,195
Land	17,236	**20,883**	7,049
	318,678	**253,871**	226,525
Waste management	65,423	**61,320**	58,432
Corporate administration	164,226	**137,021**	129,197
General municipal	57,875	**72,426**	54,171
Tax appeals and allowances	9,400	**4,749**	7,936
Pension and benefit adjustments		**2,032**	(200)
	1,753,606	**1,524,952**	1,372,176
Excess (deficiency) of revenues over expenditures	(184,619)	**104,051**	126,819
Debenture borrowings	176,948	**83,266**	90,747
Debt repayment	(29,470)	**(30,470)**	(40,491)
Change in fund balances	$ (37,141)	**$ 156,847**	$ 177,075

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 2005 (in thousands of dollars)	2005	2004 (Note 22)
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenditures	**$ 104,051**	$ 126,819
Deduct item not affecting cash:		
Subsidiary operations	**(187,152)**	(205,991)
Change in non-cash items:		
Taxes receivable	**(2,980)**	(499)
Trade and other receivables	**(21,739)**	(1,105)
Land for resale	**8,304**	(3,694)
Prepaid expenses and deferred charges	**307**	293
Accounts payable and accrued liabilities	**29,978**	29,248
Deposits	**2,891**	1,266
Deferred revenue	**122,801**	(18,483)
Employee benefit obligations	**8,637**	8,621
Landfill closure and post-closure care	**1,513**	1,544
Cash from operations	**66,611**	(61,981)
Investing Activities		
Net increase in investments	**(188,213)**	(54,793)
Dividend from subsidiary	**122,669**	120,504
Cash from investing	**(65,544)**	65,711
Financing Activities		
Debenture borrowings	**83,266**	90,747
Repayment of long-term debt	**(30,470)**	(40,491)
Cash from financing	**52,796**	50,256
Increase in cash position	**53,863**	53,986
Cash, beginning of year	**130,421**	76,435
Cash, end of year	**$ 184,284**	$ 130,421

Cash is represented by cash and temporary investments (Note 2).

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – OPERATING FUND

for the year ended December 31, 2005 (in thousands of dollars)	Budget (unaudited)	2005	2004
Revenues			
Net taxes available for municipal purposes (Note 13)	$ 572,705	$ 577,680	$ 533,897
User fees and sale of goods and services	332,984	370,854	332,625
Subsidiary operations (Note 17)	184,400	187,152	205,991
Government transfers (Note 14)	48,088	55,016	38,198
Investment earnings	53,073	103,996	64,471
Franchise fees	58,458	62,019	57,331
Developer and customer contributions		84	514
Fines and penalties	33,037	34,922	34,318
Licenses and permits	25,343	30,875	28,675
	1,308,088	1,422,598	1,296,020
Expenditures (Note 16)			
Protective services:			
Police and bylaw enforcement	201,785	201,343	185,692
Emergency response	120,922	121,714	114,187
	322,707	323,057	299,879
Transportation services:			
Bus and light rail transit	163,839	165,330	148,169
Roadway and parking	87,072	89,767	86,294
	250,911	255,097	234,463
Community services:			
Parks and recreation	93,763	99,476	86,854
Community and family	16,142	15,764	15,290
Edmonton Public Library	29,289	29,215	28,267
Planning	16,362	17,195	14,815
Convention and tourism	19,781	19,534	17,822
Grants	11,566	11,405	9,448
Public housing	4,779	4,698	3,957
	191,682	197,287	176,453
Utility and enterprise services:			
Drainage Services	63,070	62,798	56,029
Mobile equipment	5,240	10,466	10,696
Land	17,236	20,883	7,049
	85,546	94,147	73,774
Waste management	57,678	57,462	55,226
Corporate administration	90,347	90,121	85,023
General municipal	57,875	72,426	54,171
Tax appeals and allowances	9,400	4,749	7,936
Pension and benefit adjustments		2,032	(200)
	1,066,146	1,096,378	986,725
Excess of revenues over expenditures	241,942	326,220	309,295
Net interfund transfers:			
To capital fund	(188,346)	(160,760)	(124,185)
To reserve fund	(17,547)	(27,843)	(25,091)
Debt repayment	(29,470)	(30,470)	(40,491)
Change in fund balance	6,579	107,147	119,528
Opening balance	2,462,541	2,462,541	2,343,013
Closing balance (Note 10)	$ 2,469,120	$ 2,569,688	$ 2,462,541

See accompanying notes to consolidated financial statements.

SCHEDULE 2 – CAPITAL FUND

for the year ended December 31, 2005 (in thousands of dollars)	Budget (unaudited)	2005	2004
Revenues			
Government transfers (Note 14)	$ 168,133	**$ 122,663**	$ 111,635
Developer and customer contributions	92,766	**79,859**	90,677
Other		**3,883**	663
	260,899	**206,405**	202,975
Expenditures (Note 16)			
Protective services:			
Police and bylaw enforcement	12,964	**7,015**	9,611
Emergency response	2,885	**1,747**	1,058
	15,849	**8,762**	10,669
Transportation services:			
Bus and light rail transit	97,824	**49,966**	32,369
Roadway and parking	158,391	**133,677**	125,326
	256,215	**183,643**	157,695
Community services:			
Parks and recreation	69,693	**20,658**	13,744
Edmonton Public Library	8,923	**1,970**	573
Planning	4,955	**2,009**	1,709
Convention and tourism	17,069	**1,050**	930
	100,640	**25,687**	16,956
Utility and enterprise services:			
Drainage Services	164,431	**117,569**	117,252
Mobile equipment	68,701	**42,155**	35,499
	233,132	**159,724**	152,751
Waste management	7,745	**3,858**	3,206
Corporate administration	73,879	**46,900**	44,174
	687,460	**428,574**	385,451
Excess of expenditures over revenues	426,561	**222,169**	182,476
Net interfund transfers:			
From operating fund	188,346	**160,760**	124,185
From (to) reserve fund	12,478	**(3,643)**	690
Debenture borrowings	176,948	**83,266**	90,747
	377,772	**240,383**	215,622
Change in fund balance	(48,789)	**18,214**	33,146
Opening balance	126,818	**126,818**	93,672
Closing balance (Note 11)	$ 78,029	**$ 145,032**	$ 126,818

See accompanying notes to consolidated financial statements.

SCHEDULE 3 – RESERVE FUND

for the year ended December 31, 2005 (in thousands of dollars)		Budget (unaudited)		**2005**		2004
Opening balance	$	119,846	**$**	**119,846**	$	95,445
Add (deduct):						
Transfer from operating fund		33,313		**39,462**		29,878
Transfer to operating fund		(15,766)		**(11,619)**		(4,787)
Net transfer from operating fund		17,547		**27,843**		25,091
Transfer from capital fund		1,636		**7,071**		2,576
Transfer to capital fund		(12,478)		**(3,428)**		(3,266)
Net transfer from (to) capital fund		(10,842)		**3,643**		(690)
Change in fund balance		6,705		**31,486**		24,401
Closing balance (Note 12)	$	126,551	**$**	**151,332**	$	119,846

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005 (in thousands of dollars)

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported operations, they include the following:

Drainage Services Utility (Sanitary Drainage Services and Land Drainage Services)
Land Enterprise
Mobile Equipment Services
Ed Tel Endowment Fund
The Edmonton Public Library
Edmonton Economic Development Corporation (formerly Economic Development Edmonton)

Interdepartmental and inter-organizational transactions are eliminated.

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 17). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Subsidiary corporations accounted for in this manner are:

EPCOR Utilities Inc.
The City of Edmonton Non-Profit Housing Corporation

The statements exclude trust assets that are administered for the benefit of external parties (Note 21).

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital, and reserve funds. Transactions between funds are recorded as interfund transfers.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, and capital asset useful lives as well as provisions made for allowances for amounts receivable and accrued liabilities.

e) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of the forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenditures).

f) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

g) Investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

h) Physical Assets

Physical assets, comprised of inventories of materials and supplies, land for future municipal purposes, local improvements, and capital assets are recognized as expenditures in the period they are acquired.

Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

Land for future municipal purposes is valued at cost.

Local improvements are authorized by property owners as set out within the MGA and are undertaken by the City. The construction and borrowing costs are recovered through annual local improvement assessments during the period of the related borrowings.

Capital assets employed in general government tax-supported operations are carried on the Statement of Financial Position at cost net of financing provided from capital fund revenues, the reserve fund, and the operating fund. Tax-supported capital assets financed by debentures are carried at an amount equivalent to the debenture and are amortized at a rate equivalent to the principal repayment.

Capital assets employed in other operations are carried at cost, and the related financing from capital fund revenues, the reserve fund, and the operating fund is recorded as equity in physical assets. Capital assets are amortized over their estimated useful lives.

i) Operating Fund

The operating fund balance represents the amounts available to offset future operational revenue requirements.

j) Capital Fund

The capital fund balance represents the amounts available to finance future capital projects.

k) Reserve Fund

Certain amounts, as approved by City Council, are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

l) Equity in Physical Assets

Equity in physical assets represents the investment in physical assets, after deducting the portion financed by long-term debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005 (in thousands of dollars)

	2005	2004 (Note 22)
Cash	$ 5,523	$ 2,363
Temporary investments	201,594	153,314
Cheques outstanding in excess of deposits	(22,833)	(25,256)
	$ 184,284	$ 130,421

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost. Temporary investments have effective rates of 3.0 to 3.4 per cent (2004 – 1.8 to 3.1 per cent) and mature in less than one year.

Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

	Cost		Market Value	
	2005	2004 (Note 22)	2005	2004 (Note 22)
Cash	$ 615	$ 1,205	$ 615	$ 1,205
Amounts receivable - net	2,377	1,535	2,377	1,535
Fixed income:				
Short-term notes and deposits	26,199	40,027	26,396	40,743
Government and government guaranteed bonds	531,912	407,530	532,602	420,476
Corporate bonds and debentures	246,573	182,593	246,439	187,993
	804,684	630,150	805,437	649,212
Common and preferred shares:				
Canadian	200,170	201,713	291,565	258,751
International	277,314	262,344	274,205	250,716
	477,484	464,057	565,770	509,467
Other investments	20	20	20	20
	$ 1,285,180	$ 1,096,967	$ 1,374,219	$ 1,161,439

Short-term notes and deposits have effective interest rates of 3.1 to 3.4 per cent (2004 – 2.3 to 2.6 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.7 to 9.6 per cent (2004 – 2.5 to 6.1 per cent) with maturity dates from January 31, 2006 to February 1, 2045 (2004 – April 11, 2005 to June 18, 2099).

Investments with a cost of $611,064 (2004 – $589,064) and market value of $677,687 (2004 – $631,290) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

The cost of international common and preferred shares exceeds market value as at December 31, 2005. Given the continued foreign exchange volatility and the strengthening of the international market values, management is of the opinion that the loss in value is a temporary decline.

	2005	2004
Prepaid expenses – operational	**$ 5,950**	$ 4,742
Pension net fund asset (Note 18)	**33,568**	35,083
	$ 39,518	$ 39,825

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Inventories of materials and supplies	$ 18,454	$	**$ 18,454**	$ 14,362
Land for future municipal purposes	19,050		**19,050**	12,994
Local improvements	74,487	17,995	**56,492**	55,865
Capital assets:				
Sanitary Drainage Services	790,007	265,710	**524,297**	646,566
Land Drainage Services	910,746	190,423	**720,323**	506,181
	1,700,753	456,133	**1,244,620**	1,152,747
Engineering structures	176,036	16,216	**159,820**	134,960
Land	1,344		**1,344**	1,344
Buildings	75,222	29,324	**45,898**	40,879
Vehicles	243,902	70,570	**173,332**	146,170
Machinery and equipment	44,408	25,171	**19,237**	18,610
	2,241,665	597,414	**1,644,251**	1,494,710
	$ 2,353,656	$ 615,409	**$ 1,738,247**	$ 1,577,931

Deferred revenue is comprised of the funds noted below, the use of which, together with any earnings thereon, is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues relate to government transfers as further described in Note 14.

	2005	2004
Operating	**$ 21,147**	$ 19,295
Capital:		
Transportation fuel rebate	**40,396**	50,096
Infrastructure Canada-Alberta Program (ICAP)	**831**	4,651
North/South Trade Highway grant	**3,349**	3,282
Alberta Municipal Infrastructure Program (AMIP)	**134,372**	
Other	**444**	414
	179,392	58,443
	$ 200,539	$ 77,738

	2005	2004
Accrued vacation	$ 51,106	$ 46,141
Income replacement plan	13,754	13,029
Post-employment benefits	10,852	9,742
Banked overtime	6,407	6,094
Group life plan	3,035	3,005
Other	2,971	1,683
Supplementary management retirement plan	556	350
	$ 88,681	$ 80,044

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2005, completed by the actuaries of Aon Consulting Inc.

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations.

In order to measure the post-employment obligation, an actuarial valuation was completed by the actuaries of Aon Consulting Inc. regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 5.5 per cent (2004 – 6.5 per cent). The accrued benefit obligation as at December 31, 2005 is $9,346 (2004 – $8,308). Total benefit plan related expense was $2,520 and was comprised of current service cost of $1,468 (2004 – $1,352), amortization of actuarial loss of $465 (2004 – $8) and interest cost on the accrued benefit obligation of $587 (2004 – $361). Benefits paid during the year were $1,488 (2004 – $1,216). The net unamortized actuarial loss was $3,259 (2004 – $3,252), to be amortized over the expected average remaining service period of disabled employees of 7 years (2004 – 7 years).

Eligible medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2005 were $1,254 (2004 – $1,154). Eligible dental obligations for 2005 were $143 (2004 – $125). Other post-employment benefits were $109 (2004 – $155).

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

The City sponsors certain employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans.

In December, 2004, plan terms were approved for a Supplementary Management Retirement Plan for designated management employees, subject to a favourable tax ruling which has since been received in February, 2005. The plan is to be implemented effective for service beginning January 1, 2003. Total current and past service costs of $556 (2004 – $350), to December 31, 2005, have been based upon an actuarial valuation completed by Aon Consulting Inc.

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. $16,608 (2004 – $15,095) of the estimated total landfill closure and post-closure care expenditures of $17,505 (2004 – $16,214) has been accrued at December 31, 2005. The estimated liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability represents the portion of the estimated total expenditures recognized as at December 31, 2005, based on the cumulative capacity used at that date, compared to the total estimated landfill capacity. Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's average long-term borrowing rate of 5.8 per cent (2004 – 6.3 per cent).

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 40 year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and will be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the landfill site is 6.9 per cent of its total estimated capacity and its estimated remaining life is six years, after which the period for post-closure care is estimated to be 25 years. The period for post-closure care has been changed in 2005 from 30 to 25 years and is being applied prospectively.

a) Debt payable

Debt payable, issued in the name of the City, includes the following amounts:

	2005	2004
Debentures	$ 1,340,161	$ 1,363,398
Mortgages	12,808	13,100
	1,352,969	1,376,498
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	381,969	459,425
Edmonton Northlands	2,731	2,832
Sinking Fund assets	497,969	496,737
	470,300	417,504
Long-term debt is comprised of:		
Self-liquidating debt	366,516	358,287
Tax-supported debt	103,784	59,217
	$ 470,300	$ 417,504

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. and has the same repayment terms as the respective debt.

Outstanding debentures of $800,000 are secured by Sinking Fund assets with a carrying value of $497,969 (market value – $513,012) and required earnings of 5.0 per cent (2004 – 5.0 to 6.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of The City of Edmonton with a carrying value of $74,923 (market value – $81,439).

Short-term notes and deposits have an effective interest rate of 3.4 per cent (2004 – 2.4 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.7 to 5.3 per cent (2004 – 2.5 to 5.1 per cent) with maturity dates from April 26, 2006 to February 2, 2034 (2004 – September 1, 2005 to October 1, 2029).

Principal payments on long-term debt for the next five years are as follows:

	2006	2007	2008	2009	2010
Self-liquidating debt	$ 70,470	$ 61,289	$ 48,855	$ 41,794	$ 34,069
Tax-supported debt	5,234	5,477	5,731	5,997	5,268
	75,704	66,766	54,586	47,791	39,337
Less:					
Payments on offsetting amounts receivable	23,443	16,786	8,247	6,045	5,003
Sinking Fund principal	24,028	24,028	22,517	18,145	13,609
	$ 28,233	$ 25,952	$ 23,822	$ 23,601	$ 20,725

Payments on offsetting amounts receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times revenue net of capital government transfers. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2005	2004
Total debt limit	**$ 2,638,376**	$ 2,362,738
Total debt per Regulation	**473,435**	420,914
Percentage used (%)	**17.94**	17.81
Total debt service limit per Regulation	**$ 461,716**	$ 413,479
Total debt service	**55,785**	55,036
Percentage used (%)	**12.08**	13.31

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2030 and debenture interest is payable, before provincial subsidy, at rates ranging from 3.2 to 12.0 per cent (2004 – 3.2 to 12.0 per cent). The average annual interest rate is 5.8 per cent for 2005 (2004 – 6.3 per cent) before rebate. The Province rebates 60 per cent of interest in excess of 8 per cent, 9 per cent, and 11 per cent for qualifying debt issues. The Province pays the interest for the first five years for qualifying debt issues related to energy conservation, through the ME *first!* program.

d) Interest on long-term debt

	2005	2004
Self-liquidating debt	**$ 116,984**	$ 127,248
Tax-supported debt	**3,949**	1,914
	120,933	129,162
Less payments on offsetting amounts receivable	**94,373**	103,778
Long-term debt interest included in interest and bank charges (Note 16)	**$ 26,560**	$ 25,384

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005 (in thousands of dollars)

	2004	Excess (Deficiency) of Revenues over Expenditures	Transfers and Debt Repayment	2005
General Government:				
Operations	$ 35,241	$ 15,705	$ (14,756)	**$ 36,190**
Pension and benefits	35,600	(2,032)		**33,568**
Excess earnings on Sinking Fund	24,768	5,622	(1,200)	**29,190**
Drainage Services Utility		45,298	(39,798)	**5,500**
Land Enterprise	48,813	15,784	(6,252)	**58,345**
Mobile Equipment Services	35,114	34,544	(33,487)	**36,171**
Ed Tel Endowment Fund	589,064	22,000		**611,064**
EPCOR Utilities Inc.	1,693,090	187,134	(122,669)	**1,757,555**
Non-Profit Housing Corporation	696	18		**714**
The Edmonton Public Library	571	496	(363)	**704**
Edmonton Economic Development Corporation	(565)	1,669	(548)	**556**
Taxi Cab Commission	149	(18)		**131**
	$ 2,462,541	$ 326,220	$ (219,073)	**$ 2,569,688**

The general government operations fund balance includes $5,978 appropriated for future purposes and $30,212 to be transferred to the Financial Stabilization Reserve. Excess earnings of $3,600 of the Sinking Fund is appropriated for future capital expenditures.

The capital fund balance is comprised of the following:

	2005	2004 (Note 22)
Financing available:		
Funds for future construction	**$ 83,895**	$ 53,185
Drainage Services Utility capital financing	**99,145**	97,361
	183,040	150,546
Amounts to be financed:		
Inventories of materials and supplies	**(18,454)**	(14,362)
Land for future municipal purposes	**(17,927)**	(7,914)
Other physical assets	**(1,627)**	(1,452)
	(38,008)	(23,728)
	$ 145,032	$ 126,818

Amounts related to inventories of materials and supplies will be financed at the point they are utilized.

Land for future municipal purposes and other physical assets to be financed will be addressed within the City's Capital Priorities Plan (Note 19).

		2005		2004
General Government:				
Financial Stabilization	$	82,041	$	57,994
Funds in Lieu - Residential		20,468		17,470
Other		7,384		6,941
Enterprise Portfolio		7,079		6,816
Tax-supported Debt		3,169		6,566
Parkland Reserve		9,279		5,801
Benefit Plan		4,467		4,413
Waste Management Rate Stabilization		7,136		4,259
Perpetual Care		3,418		3,339
Self Insurance - Vehicles		2,500		2,500
Heritage Resources		1,426		1,145
		148,367		117,244
The Edmonton Public Library		2,965		2,602
	$	151,332	$	119,846

		2005		2004 (Note 22)
Taxes:				
Property and business taxes	$	801,075	$	745,899
Revenue in lieu of taxes		22,381		20,628
Local improvement levies		10,815		11,199
Other		4,746		3,839
		839,017		781,565
Less taxes on behalf of:				
Education		259,634		246,003
Business revitalization zones		1,703		1,665
		261,337		247,668
Net taxes available for municipal purposes	$	577,680	$	533,897

The City is required to levy taxes under section 353 of the MGA towards the payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to the trade and other receivables.

An amount of education taxes payable of $1,641 on supplementary levies has been recorded at December 31, 2005 (2004 - $1,355) within accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005 (in thousands of dollars)

The following government transfers have been included in revenues:

	2005	2004 (Note 22)
Operating transfers:		
Federal	$ 5,074	$ 2,173
Provincial	49,942	36,025
	55,016	38,198
Capital transfers:		
Federal:		
Shared cost agreements – ICAP	10,460	10,396
Shared cost agreements – other	10	47
Other agreements	12,784	
Provincial:		
Shared cost agreements – ICAP	10,460	12,596
Shared cost agreements – other	49	4,498
Grants and entitlements	193	3,298
Other agreements	88,707	80,800
	122,663	111,635
	$ 177,679	$ 149,833

Funding for the 2005 World Masters Games, held in Edmonton in July 2005, included contributions of $4,000 from each of the Federal and Provincial governments. $5,980 (2004 – $2,020) has been recognized as operating government transfers in 2005.

The Federal government introduced the New Deal for Cities and Communities to transfer federal gas tax revenues to assist in reducing the backlog of necessary sustainable capital municipal infrastructure projects that have been deferred. In 2005 the City received, and recognized as a government transfer, $12,922.

The Provincial government has provided grants under the Alberta Disaster Relief Program of $2,500 for the flood damage caused by rain storms in July 2004. $546 (2004 – $1,552) has been recognized in operating transfers and $114 (2004 – $98) in capital transfers in 2005 while $190 is deferred to 2006.

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2005 the City received funding of $75,000 (2004 – $70,000) and has recognized $86,754 (2004 – $78,735) as government transfers and $40,396 (2004 – $50,096) as deferred revenue (Note 6).

The Provincial government introduced the Alberta Municipal Infrastructure Program in 2005 to assist municipalities in addressing capital infrastructure needs. The City received a per capita grant of $135,547, of which $3,034 has been recognized as a government transfer in 2005. $134,372, including interest of $1,859, has been deferred to future years (Note 6).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2005 (in thousands of dollars)

15 EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required by Regulations under section 276 of the MGA.

	Salaries	Benefits	2005	2004
Mayor	$ 115	$ 21	**$ 136**	$ 125
Councillors (12)	722	133	**855**	842
Chief Administrative Officer	224	19	**243**	257
City Assessor	107	17	**124**	121
	$ 1,168	$ 190	**$ 1,358**	$ 1,345

Councillors are each paid a base salary of $59.8. Each receives benefits in the range of $10.4 to $13.6.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, Alberta Health Care, dental coverage, medical coverage, group life insurance, short-term disability insurance, and transportation allowances.

Executive salaries and benefits are included in corporate administration expenditures.

16 EXPENDITURES BY OBJECT

	2005	2004
Salaries, wages, and employee benefits	**$ 703,729**	$ 652,738
Contracted and general services	**188,237**	143,530
Materials, goods, supplies, and utilities	**138,954**	152,146
Interest and bank charges	**40,662**	33,021
Other	**24,796**	5,290
Operating (Schedule 1)	**1,096,378**	986,725
Capital (Schedule 2)	**428,574**	385,451
	$ 1,524,952	$ 1,372,176

a) EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR), established by City Council under City Bylaw 11071, is wholly owned by the City and provides rate-regulated and non-rate-regulated electric utility services, natural gas services, water utility services, and complementary commercial services.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained by contacting the corporate offices of EPCOR.

	2005	2004 (Note 22)
Financial position:		
Current assets	$ 793,235	$ 925,600
Current assets of discontinued operations	485	10,482
Capital assets	3,698,257	2,744,720
Other assets	1,163,653	456,580
Non-current assets of discontinued operations	3,137	64,647
Total assets	5,658,767	4,202,029
Current liabilities (including current portion of long-term debt of $53,981 (2004 - $131,037))	690,395	521,080
Current liabilities of discontinued operations	5,047	1,711
Non-current liabilities	1,163,104	480,680
Non-current liabilities of discontinued operations	15,637	26,224
Long-term debt	2,027,029	1,479,244
Total liabilities	3,901,212	2,508,939
Net assets	1,757,555	1,693,090
Results of operations:		
Revenues	2,698,863	2,594,675
Expenses	2,540,102	2,411,930
Gain on discontinued operations	28,377	15,298
Net income	187,138	198,043
Foreign currency gain (loss)	(4)	8,446
Change in accounting policy		(503)
Net income and adjustments	$ 187,134	$ 205,986

In 2004, EPCOR changed their accounting policy for asset retirements and retroactively restated the previous years' results. The City's consolidated financial statements have reflected the impact of the change in accounting policy in 2004.

On September 1, 2005 EPCOR acquired from TransCanada Corporation its interest in TransCanada Power, LP (Power LP) for a purchase price of $534.4 million. The results of Power LP are included in EPCOR's consolidated results from the date of acquisition.

Long-term debt reported by EPCOR includes amounts issued in the name of the City. Offsetting short and long-term receivables from EPCOR have been applied to reduce the consolidated long-term debt (Note 9).

Principal payments on long-term debt for the next five years are as follows:

2006	$ 53,981
2007	47,467
2008	335,850
2009	241,179
2010	225,797

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2005	2004
Dividend paid to the City	$ 122,669	$ 120,504
Power and water purchased by the City	18,800	22,600
Other services purchased by the City	46,900	46,100
Franchise fees and revenue tax to the City	34,600	33,700
Property taxes and other taxes to the City	10,000	9,200
Sales of administrative and construction services from the City	6,500	9,500
Financing expenses paid or payable to the City	62,800	73,500
Excess earnings in Sinking Fund available to EPCOR as at December 31	26,900	21,500

Included in current assets and deferred assets is $29.9 million (2004 - $27.2 million) due from the City.

EPCOR commitments to major capital projects are estimated at $300.0 million, at December 31, 2005 (2004 – $33.8 million).

EPCOR has issued letters of credit for $153.9 million (2004 - $80.9 million) to meet the credit requirements of energy market participants, to meet conditions of certain agreements and to satisfy legislated reclamation requirements.

The settlement process in the Alberta electricity market may result in adjustments to previously settled loads in future periods. The adjustments will result in changes to previous estimates of electricity revenues and expenses. Any such adjustments, which could be material, will be recorded in the period they become known.

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton. Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation and Alberta Seniors.

The financial statements of Non-Profit Housing Corporation are prepared in accordance with a disclosed basis of accounting. The effect, had the financial statements been prepared in accordance with generally accepted accounting principles, would not be material to the amounts disclosed by the City. The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

	2005	2004
Financial position:		
Current assets	$ 3,479	$ 3,249
Housing projects	21,240	22,613
Total assets	24,719	25,862
Current liabilities (includes current portion of mortgages payable of $1,432 (2004 – $1,360))	2,010	1,874
Mortgages payable	21,149	22,593
Total liabilities	23,159	24,467
Replacement reserves	846	699
Net assets	714	696
Results of operations:		
Revenues	5,026	4,874
Expenses	4,603	4,577
Net income	423	297
Replacement reserve allocation	(405)	(292)
Net income and adjustments	$ 18	$ 5

Principal payments on long-term debt for the next five years are as follows:

2006	$ 1,432
2007	1,501
2008	1,581
2009	1,638
2010	1,737

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan, which is one of the multiemployer plans covered by the Public Sector Pension Plans Act.

The City is required to make current service contributions to the Plan of 7.40 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 10.14 per cent thereafter. Employees of the City are required to make current service contributions of 6.40 per cent of pensionable salary up to YMPE and 9.14 per cent thereafter. Contributions for current service are recorded as expenditures in the year in which they become due. Contribution rates reflect an increase of 0.798 per cent for earnings below YMPE, and 1.663 per cent for earnings above YMPE, to both employer and employee contributions, implemented January 1, 2005.

Total current service contributions by the City to the Local Authorities Pension Plan in 2005 were $32,398 (2004 – $25,989). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2005 were $28,575 (2004 – $22,412). Effective January 1, 2006, contribution rates will increase by 0.35 per cent for amounts below YMPE, and by 0.50 per cent for amounts above YMPE, for both employers and employees.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multiemployer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.36 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Participants of the SFPP are required to make current service contributions of 9.26 per cent of pensionable salary and past service contributions of 0.75 per cent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenditures in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2005 were $11,179 (2004 – $9,140). Total current and past service contributions by the participants to the SFPP in 2005 were $10,072 (2004 – $8,231).

c) City-Sponsored Pension and Long-Term Disability Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 21.

i) Annuity Fund

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $48 (2004 – $53).

ii) Police Supplementary Pension Fund

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the Local Authorities Pension Plan for 32 beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $131 (2004 – $122).

iii) Fire Fighters' Supplementary Pension Fund

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

Total benefits paid during the year were $3,615 (2004 – $3,173). Employee contributions for the year were $1,384 (2004 – $1,172). Due to the funded surplus position, the City has taken a contribution holiday beginning January 2001.

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and the City. The pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

Total benefits paid during the year were $145 (2004 – $172). Employee contributions for the year were $10 (2004 – $10), and employer contributions were $201 (2004 – $200).

An actuarial valuation for each pension plan was completed by Aon Consulting Inc. as at December 31, 2005. Each 2005 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.75 per cent (2004 – 2.75 per cent). The discount rate used to determine the accrued benefit obligation is 6.50 per cent (2004 – 6.75 per cent). Each pension fund's assets are valued at market value. The expected rate of return on plan assets is 6.50 per cent (2004 – 6.75 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2005**	2004
Fair value of assets	$ 7,728	$ 6,625	$ 121,236	$ 1,847	**$ 137,436**	$ 125,382
Accrued benefit obligation	124	1,005	97,726	1,937	**100,792**	93,842
Funded status – surplus (deficit)	7,604	5,620	23,510	(90)	**36,644**	31,540
Unamortized net actuarial loss			9,903	245	**10,148**	15,400
Accrued benefit asset	7,604	5,620	33,413	155	**46,792**	46,940
Valuation allowance	7,604	5,620			**13,224**	11,857
Net fund asset	$	$	$ 33,413	$ 155	**$ 33,568**	$ 35,083

The net fund asset balance is included in prepaid expenses and deferred charges (Note 4). The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 13.5 years (2004 – 12.3 years) and of the Fire Chief plan of 3.0 years (2004 – 2.5 years).

The following table sets out the benefit plan related expense (income) for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2005	2004
Current service cost	$	$	$ 2,869	$ 10	**$ 2,879**	$ 2,425
Amortization of actuarial (gain) loss	(315)	(283)	1,168	70	**640**	1,375
Increase (decrease) in valuation allowance	760	607			**1,367**	(1,028)
Less: employee contributions			(1,384)	(10)	**(1,394)**	(1,182)
Benefit plan expense for the year	445	324	2,653	70	**3,492**	1,590
Interest cost on accrued benefit obligation	7	66	6,109	116	**6,298**	5,992
Expected return on plan assets	(452)	(390)	(7,126)	(106)	**(8,074)**	(7,823)
Benefit plan interest (income) expense	(445)	(324)	(1,017)	10	**(1,776)**	(1,831)
Total benefit plan related (income) expense	$	$	$ 1,636	$ 80	**$ 1,716**	$ (241)

v) **Long-Term Disability Plan**

The Long-Term Disability Plan is available to permanent employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Consulting Inc. as at December 31, 2005. The Plan's assets are valued using a moving average market value.

	2005	2004
Fair value of assets	**$ 51,260**	$ 47,530
Less:		
Accrued benefit obligation	**43,633**	42,612
Other obligations and deferred gains	**1,826**	1,465
Net fund asset	**$ 5,801**	$ 3,453

17. Commitments

a) Capital Commitments

City Council has approved a 2006 – 2010 Capital Priorities Plan of $1,984,524. The 2006 requirement of $604,150 is to be funded as follows:

Reserves, grants, and developer contributions	$ 331,079
Pay-as-you-go financing	100,318
Tax-supported debentures	112,197
Self-liquidating debentures	60,556
	$ 604,150

Capital requirements related to EPCOR are not included in the Capital Priorities Plan. Certain capital commitments for EPCOR have been disclosed in Note 17.

b) Lease Commitments

The City has entered into a number of lease agreements, mainly for facilities and equipment. Lease commitments over the next five years are as follows:

2006	$ 8,907
2007	8,327
2008	6,640
2009	5,445
2010	4,703

20. CONTINGENT LIABILITIES

a) The City is defendant in various lawsuits as at December 31, 2005. Where the occurence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties and potential site reclamation obligations. The amount of any such obligations has not been determined.

21. TRUST ASSETS UNDER ADMINISTRATION

The City administers the following assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the consolidated financial statements.

	2004	Deposits (Withdrawals)	Earnings	2005
Pension Funds Net Assets:				
Annuity Fund	$ 6,974	$ (54)	$ 808	**$ 7,728**
Police Supplementary Pension Fund	6,063	(137)	699	**6,625**
Fire Fighters' Supplementary Pension Fund	110,742	(2,329)	12,823	**121,236**
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	1,603	61	183	**1,847**
	125,382	(2,459)	14,513	**137,436**
Long-Term Disability Plan	45,155	(257)	4,411	**49,309**
Other	552	21	6	**579**
	$ 171,089	$ (2,695)	$ 18,930	**$ 187,324**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, corporate bonds, short-term notes and deposits, valued at market quotations from Canadian investment dealers, and Canadian and international common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the Investment Committee of the City.

Long-Term Disability Plan assets are investments held in trust, comprised of short-term notes and deposits, government and government guaranteed bonds, corporate bonds, debentures, and Canadian and international common and preferred shares.

22. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

SCHEDULES & STATISTICS

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
GENERAL MUNICIPAL DATA

Unaudited

	2005	2004	2003	2002	2001
Population (Note 1)	**712,391**	666,104	666,104	666,104	666,104
Population age distribution (%) (Note 1)					
0-4	**4.20**	5.80	5.80	5.80	5.80
5-19	**18.09**	19.64	19.64	19.64	19.64
20-29	**18.18**	16.54	16.54	16.54	16.54
30-39	**14.78**	15.87	15.87	15.87	15.87
40-49	**15.89**	16.20	16.20	16.20	16.20
50-59	**12.65**	10.58	10.58	10.58	10.58
60-64	**3.94**	3.69	3.69	3.69	3.69
65+	**12.27**	11.68	11.68	11.68	11.68
Area – in hectares	**69,980**	69,980	69,980	69,980	69,980
– in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 2,110,749**	$ 1,380,933	$ 1,075,125	$ 1,141,696	$ 904,536
Number of housing starts (per Canada Mortgage and Housing Corporation)	**9,434**	8,159	8,956	8,821	4,811
Consumer price index – 1992 base year (per Statistics Canada)					
Edmonton	**132.4**	129.7	128.4	121.9	118.4
Alberta	**134.3**	131.5	129.7	124.2	120.1
Canada	**127.3**	124.6	122.3	119.0	116.4
Unemployment rate (%) – annual average (per Statistics Canada)					
Edmonton	**4.5**	4.8	5.1	5.1	4.9
Alberta	**3.9**	4.6	5.7	5.3	4.6
Canada	**6.8**	7.2	7.6	7.7	7.2
City of Edmonton employees (Note 2)	**10,137**	9,727	9,517	9,301	9,084

Source: The City of Edmonton Corporate Services Department.

Notes:
1. The population and population age distribution figures are as per the 2001 Canada and 2005 City Census.
2. Positions are stated in full time equivalents.

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
ASSESSMENT AND TAX LEVY

Unaudited (in thousands of dollars, except per capita)

	2005	2004	2003	2002	2001
Assessment:					
Total taxable assessment (market value)	**$ 57,758,248**	$ 52,239,492	$ 45,098,041	$ 39,720,706	$ 36,344,255
Percentage of total assessment represented by:					
Residential properties	**78.1**	78.4	77.1	74.7	74.6
Commercial properties	**21.9**	21.6	22.9	25.3	25.4
Taxable assessment per capita	**$ 81,077**	$ 78,425	$ 67,704	$ 59,631	$ 54,562
Assessment for principal taxpayers (%) (Note 1)	**4.4**	4.7	5.2	5.7	5.9
Rates of taxation (mills):					
Single family residential	**9.68**	9.85	10.65	11.60	12.28
Other residential property	**10.84**	11.02	11.91	13.00	13.73
Commercial and industrial	**21.17**	22.47	22.95	22.72	23.54
Tax levy, collections, and arrears:					
Current year's levy:					
Property	**$ 721,523**	$ 672,932	$ 622,400	$ 591,407	$ 570,388
Business	**95,113**	86,880	81,579	76,845	74,263
Collections:					
Property	**$ 720,313**	$ 669,616	$ 621,876	$ 584,504	$ 565,636
Business	**94,551**	85,894	81,409	76,743	74,965
Arrears at December 31 (net):					
Property	**$ 24,473**	$ 22,560	$ 22,549	$ 21,356	$ 20,624
Business	**2,318**	1,251	763	1,474	1,173
Percentage of current property taxes collected	**97.7**	97.5	98.1	96.6	97.4
Percentage of net property tax arrears collected	**69.7**	59.2	51.7	63.7	39.4
Property tax arrears per capita (gross)	**$ 43.51**	$ 43.01	$ 41.29	$ 43.44	$ 42.97
Property tax arrears per capita (net)	**34.35**	33.87	33.85	32.06	30.96
Property tax levy per capita	**1,012.82**	1,010.25	934.39	887.86	856.31
Education taxes	**259,634**	246,003	230,927	215,483	209,809

Source: The City of Edmonton Corporate Services Department.

Notes:
1. Includes the ten highest taxpayers by assessment value.

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
INVESTMENT FUNDS

Unaudited (in thousands of dollars)

	2005	2004	2003	2002	2001
Investment funds (Note 1)					
The Balanced Fund (Note 2)					
Net assets–market value	$ 449,371	$ 385,601	$ 375,310	$ 342,279	$ 333,558
Net assets–cost	427,472	365,504	363,182	345,316	328,533
Net earnings	33,261	18,834	16,416	14,211	17,246
Fund rate (%)	9.0	5.5	4.8	4.4	6.4
Market (%)	9.5	8.3	9.6	2.0	3.3
Ed Tel Endowment Fund					
Net assets–market value	$ 677,687	$ 631,290	$ 602,997	$ 560,817	$ 587,801
Net assets–cost	611,064	589,064	585,270	592,130	577,893
Net earnings	50,788	31,536	19,740	14,237	41,416
Fund rate (%)	8.3	5.4	3.4	2.4	7.2
Market (%)	12.3	9.5	12.6	(4.4)	3.6
Sanitary Servicing Strategy Fund (Note 3)					
Net assets–market value	$ 29,900				
Net assets–cost	30,311				
Net earnings	389				
Fund rate (%)	1.3				
Market (%)	3.0				
The Sinking Fund					
Net assets–market value	$ 570,641	$ 563,501	$ 556,368	$ 555,059	$ 511,493
Net assets–cost	554,114	543,047	538,856	530,066	491,678
Net earnings					
Required	25,847	26,465	25,185	24,034	21,373
Unappropriated	11,030	7,300	16,683	23,306	10,560
Total	36,877	33,765	41,868	47,340	31,933
Fund rate (%)	6.7	6.2	7.7	10.4	7.0
Market (%)	5.9	6.6	6.4	10.6	7.0
Transportation Fund (Note 4)					
Net assets–market value				$ 75,243	$ 99,888
Net assets–cost				77,590	96,946
Net earnings				6,316	8,620
Fund rate (%)				5.4	6.2
Market (%)				3.4	7.2

Source: The City of Edmonton Corporate Services Department.

Notes:

1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings are realized earnings of the fund in accordance with generally accepted accounting principles.
   b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
   c) Market return is the return based on the time-weighted method, in accordance with industry standards.
2. Effective April 1, 2004, funds held for the Long-Term Disability Fund were removed from the Balanced Fund. Prior period figures have not been restated.
3. The Sanitary Servicing Strategy Fund was established on July 29, 2005.
4. Effective November 30, 2003, funds held for the Transportation Fund are no longer managed separately.

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
LONG-TERM DEBT

Unaudited (in thousands of dollars, except per capita)

	2005	2004	2003	2002	2001
Debt limit	**$ 2,638,376**	$ 2,362,738	$ 2,125,774	$ 2,048,414	$ 2,024,792
Total debt per regulation	**473,435**	420,914	370,914	393,348	439,609
Percentage used (%)	**17.94**	17.81	17.45	19.20	21.71
Debt service limit	**461,716**	413,481	372,010	358,472	354,339
Total debt service per regulation	**55,785**	55,036	63,961	88,329	100,394
Percentage used (%)	**12.08**	13.31	17.19	24.64	28.33
General government debt service	**26,729**	33,936	41,996	47,391	42,395
General government debt service of general government operating fund expenditures (%)	**2.6**	3.6	4.8	6.0	5.7
Long-term debt (gross):					
Self-liquidating	**$ 1,249,185**	$ 1,317,281	$ 1,379,409	$ 1,482,472	$ 1,551,295
Tax-supported	**103,784**	59,217	24,058	25,951	41,252
Long-term debt (net of Sinking Fund):					
Self-liquidating	**$ 751,216**	$ 820,544	$ 886,511	$ 993,493	$ 1,115,084
Tax-supported	**103,784**	59,217	24,058	25,951	41,252
Net debt per capita:					
Self-liquidating	**$ 1,054**	$ 1,232	$ 1,331	$ 1,491	$ 1,674
Tax-supported	**146**	89	36	39	62
	$ 1,200	$ 1,321	$ 1,367	$ 1,530	$ 1,736
Percentage of total debt to be retired					
Within 5 years	**46.3**	48.8	51.6	53.4	53.4
Within 10 years	**67.2**	69.9	73.6	76.5	78.3

Source: The City of Edmonton Corporate Services Department.

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
CONSOLIDATED EXPENDITURES

Unaudited (in thousands of dollars)

Consolidated Expenditures By Function

	2005	2004	2003	2002	2001
Transportation services	**$ 438,740**	$ 392,158	$ 358,481	$ 322,141	$ 321,896
Protective services	**331,819**	310,548	290,060	271,990	253,793
Community services	**222,974**	193,409	185,469	183,769	191,650
Corporate administration and general municipal	**216,228**	191,104	173,425	116,860	133,589
Utility and enterprise services (Note 1)	**253,871**	226,525	201,716	152,730	159,648
Waste management and storm sewer (Note 1)	**61,320**	58,432	57,987	86,913	171,242
	$ 1,524,952	$ 1,372,176	$ 1,267,138	$ 1,134,403	$ 1,231,818

Consolidated Expenditures By Object

	2005	2004	2003	2002	2001
Operating:					
Salaries, wages and employee benefits	**$ 703,729**	$ 652,738	$ 613,109	$ 543,323	$ 505,716
Contracted and general services	**188,237**	143,530	136,753	118,129	113,210
Materials, goods, supplies and utilities	**138,954**	152,146	150,476	146,561	136,282
Interest and bank charges	**40,662**	33,021	33,190	36,031	37,521
Other charges	**24,796**	5,290	8,503	17,765	23,662
	1,096,378	986,725	942,031	861,809	816,391
Capital	**428,574**	385,451	325,107	272,594	415,427
	$ 1,524,952	$ 1,372,176	$ 1,267,138	$ 1,134,403	$ 1,231,818

Source: The City of Edmonton Corporate Services Department.

Notes:

1. To comply with the amended Sewers Use bylaw, the operation of the previously tax-supported storm sewer operation is carried out by Drainage Services Utility, effective January 1, 2003.

STATISTICAL REVIEW FOR THE YEARS 2001 TO 2005
OTHER

Unaudited (in thousands of dollars)

	2005	2004	2003	2002	2001
Revenues – operating fund:					
General government (Note 1)	**$ 1,034,601**	$ 935,003	$ 847,342	$ 795,265	$ 795,132
Utility	**109,463**	105,863	100,584	91,166	87,913
Subsidiary operations	**187,152**	205,991	416,077	190,501	383,173
Other	**91,382**	49,163	50,910	76,932	56,070
	$ 1,422,598	$ 1,296,020	$ 1,414,913	$ 1,153,864	$ 1,322,288
General government operating fund revenues (%):					
Taxation	**55.8**	57.1	58.2	59.4	57.3
Sale of goods and services	**19.2**	20.0	20.3	21.7	19.4
Franchise fees	**6.0**	6.1	5.5	5.5	5.5
Appropriation from Ed Tel Endowment Fund	**2.8**	3.0	3.1		5.1
Government transfers	**5.0**	3.6	3.1	2.9	2.7
Other	**11.2**	10.2	9.8	10.5	10.0
General government operating fund expenditures (Note 1)	**$ 1,020,928**	$ 930,856	$ 866,755	$ 789,193	$ 746,908
Expenditures – capital fund	**428,574**	385,451	325,107	272,594	415,427
Reserve fund balance	**151,332**	119,846	95,445	101,909	105,658

Source: The City of Edmonton Corporate Services Department.

Note:
1. The general government operating fund revenue and expenditures include municipal operations, and pension and benefit adjustments.

RELATED BOARDS AND AUTHORITIES

FURTHER INFORMATION REGARDING THE RELATED BOARDS AND AUTHORITIES CAN BE OBTAINED FROM THE FOLLOWING SOURCES:

EDMONTON ECONOMIC DEVELOPMENT CORPORATION
3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7
Fax: (780) 917-7600
E-mail: info@edmonton.com
Web: www.edmonton.com/eedc
Chair: Robert Carwell
President and CEO: Allan Scott

THE CITY OF EDMONTON NON-PROFIT HOUSING CORPORATION
20th Floor, Century Place
9803 – 102A Avenue
Edmonton, Alberta T5J 3A3
Phone: (780) 496-5529
Fax: (780) 496-6577
Web: www.edmonton.ca
Chair: Jennifer Lee
General Manager: Terry J. Loat

EDMONTON POLICE COMMISSION
Suite 171, 10235 – 101 Street
Edmonton, Alberta T5J 3E9
Phone: (780) 414-7510
Fax: (780) 414-7511
E-mail: info@edmontonpolicecommission.com
Web: www.edmontonpolicecommission.com
Chair: Brian Gibson
Chief of Police: Michael J. Boyd C.O.M.

EPCOR UTILITIES INC.
EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Phone: (780) 412-3414
Fax: (780) 412-3192
E-mail: corpafrs@epcor.ca
Web: www.epcor.ca
Chair: Hugh Bolton
President and CEO: Donald Lowry

THE EDMONTON PUBLIC LIBRARY
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-7097
Web: www.epl.ca
Chair: Dr. Sheila Bertram
Director: Linda Cook

THE CITY OF EDMONTON, ALBERTA, CANADA ANNUAL REPORT 2005

INFORMATION ON THE CITY OF EDMONTON
IS AVAILABLE THROUGH THE INTERNET

www.edmonton.ca

INQUIRIES MAY ALSO BE DIRECTED:

The City of Edmonton
Corporate Services Department
Finance Branch
5th Floor, Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3
(780) 496-5356

DESIGN AND PRODUCTION: Artsmith Communications

RELATED BOARDS AND AUTHORITIES

EDMONTON ECONOMIC DEVELOPMENT CORPORATION
3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7
Fax: (780) 917-7600
E-mail: info@edmonton.com
Web: www.edmonton.com/eedc
Chair: Robert Carwell
President and CEO: Allan Scott

THE CITY OF EDMONTON NON-PROFIT HOUSING CORPORATION
20th Floor, Century Place
9803 – 102A Avenue
Edmonton, Alberta T5J 3A3
Phone: (780) 496-5529
Fax: (780) 496-6577
Web: www.edmonton.ca
Chair: Jennifer Lee
General Manager: Terry J. Loat

EDMONTON POLICE COMMISSION
Suite 171, 10235 – 101 Street
Edmonton, Alberta T5J 3E9
Phone: (780) 414-7510
Fax: (780) 414-7511
E-mail: info@edmontonpolicecommission.com
Web: www.edmontonpolicecommission.com
Chair: Brian Gibson
Chief of Police: Michael J. Boyd C.O.M.

EPCOR UTILITIES INC.
EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Phone: (780) 412-3414
Fax: (780) 412-3192
E-mail: corpafrs@epcor.ca
Web: www.epcor.ca
Chair: Hugh Bolton
President and CEO: Donald Lowry

THE EDMONTON PUBLIC LIBRARY
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-7097
Web: www.epl.ca
Chair: Dr. Sheila Bertram
Director: Linda Cook

A CAPITAL IDEA

THE CITY OF EDMONTON, ALBERTA, CANADA